



## Expenditure Monitor: 2012-13 Q1

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Ottawa, Canada

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

**Key Points of this Note:**

- This note reviews federal expenditures for the first three months of the fiscal year 2012-13 (*i.e.* April to June 2012).
- Based on data from the first three months, total federal expenditures were unchanged compared to the same period in the previous fiscal year. This is currently tracking lower than the plan outlined in Budget 2012, which projected total expenses to rise 1.1 per cent from 2011-12 to 2012-13 (year/year).
  - Increases in major transfer payment programs (e.g. Old Age Security) were offset by decreases in operating expenditures. The latter were subject to the Budget 2012 restraint exercise.
- The Parliamentary Budget Officer's (PBO) Integrated Monitoring Database (IMD) has been updated with expenditure data for the first quarter of 2012-13 ([www.pbo-dpb.gc.ca](http://www.pbo-dpb.gc.ca)).
  - For the first time, the IMD now contains two years of program activity data, permitting parliamentarians to begin assessing how the changes announced in Budget 2010, Budget 2011 and eventually Budget 2012 are affecting federal programs.
  - The IMD will be updated with expenditure data for the second quarter of 2012-13 in mid-December.

Prepared by: Jason Jacques and Jason Stanton\*

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\* Many thanks to Darren Roberts for research assistance. Contact Jason Jacques (e-mail: [jason.jacques@parl.gc.ca](mailto:jason.jacques@parl.gc.ca)) for further information.

## 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 adjustments to authorities proposed by the Government. As well, given that the spending reductions announced in Budget 2012 have not been presented in the Estimates documents (*i.e.* the Main and Supplementary Estimates, as well as the Reports on Plans and Priorities), the framework also allows parliamentarians to identify which programs may be affected by the spending restraint currently being implemented.<sup>3</sup>

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 to June 2012).<sup>4</sup>

## 2 Highlights of 2012-13 Q1

### *Total Expenditures*

Total expenditures are comprised of four components: major transfers to individuals; major transfers to other levels of government; debt servicing costs; and direct program spending (DPS). Given that the first three types of spending are statutory in nature and are driven by variation in economic variables, PBO analysis focuses on the last category; DPS, which has been a focus of recent government restraint efforts.

As presented in Figure 2-1, total expenditures in the first three months of 2012-13 were stable at \$57.4 billion, compared to the same period in 2011-12. This stability is consistent with the year-over-year change in spending authorities, which were also unchanged.

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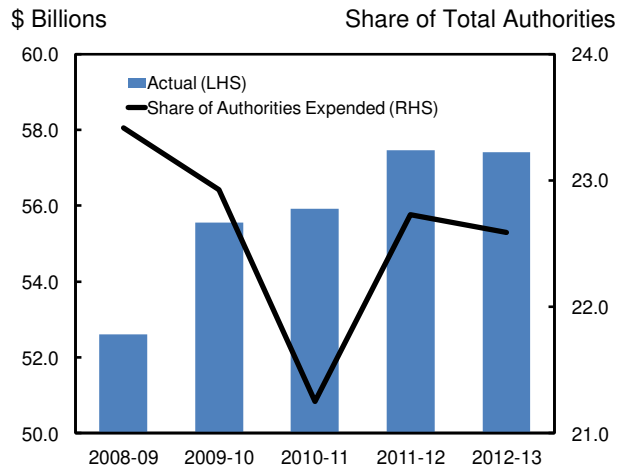
<sup>1</sup> <http://laws.justice.gc.ca/eng/PDF/P-1.PDF>. Accessed September 2012.

<sup>2</sup> An overview of the methodology used by the PBO is provided in the complementary briefing note, "Expenditure Monitor: Methodology". [http://www.pbo-dpb.gc.ca/files/files/Publications/IMD\\_March\\_2011\\_EN.pdf](http://www.pbo-dpb.gc.ca/files/files/Publications/IMD_March_2011_EN.pdf). Accessed September 2012.

<sup>3</sup> <http://www.pbo-dpb.gc.ca/files/files/Expenditure%20Monitoring%20Framework.EN.pdf>. Accessed September 2012.

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<sup>4</sup> Actual expenditure authority for Supplementary Estimates A was not provided until the end of the first quarter.

**Figure 2-1****Total Expenditures in the First Quarter of the Fiscal Year**

Sources: Government of Canada; PBO calculations

As a result, federal departments and agencies expended approximately the same share of spending authorities provided by Parliament in the first three months of the current fiscal year, compared to the same period in the previous year (22.7 per cent).

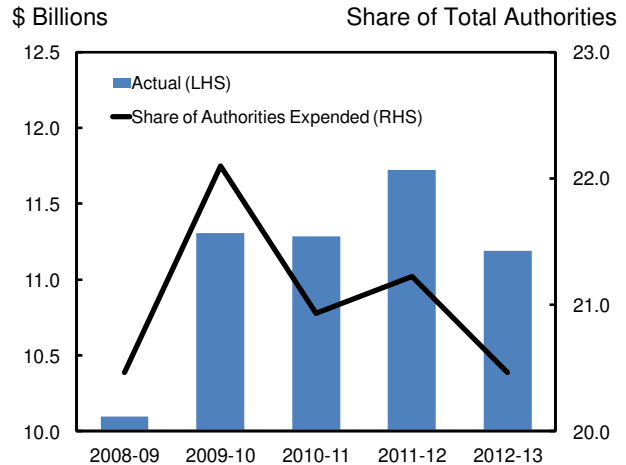
Overall, increases in major transfer payment programs to individuals (*e.g.* Old Age Security) and other levels of government (*e.g.* Canada Health Transfer) were offset by decreases in DPS.

**Direct Program Spending (DPS)**

DPS is comprised of operating and capital expenditures, as well as other transfer payment programs (*e.g.* agricultural support programs).

Operating expenditures decreased almost 5 per cent to \$11.2 billion (Figure 2-2). This decline in expenditure resulted in

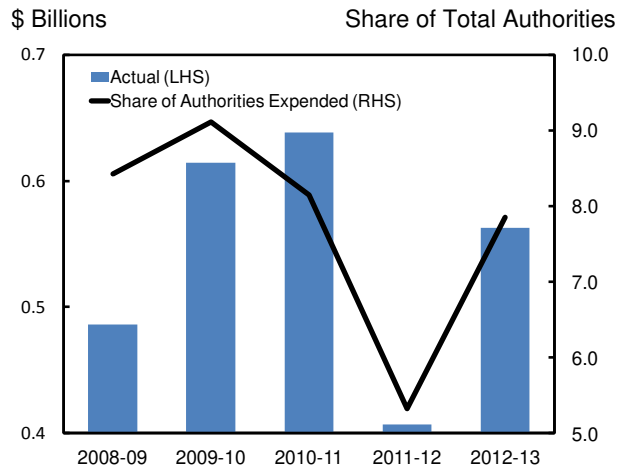
departments and agencies spending less of their authorities in the first three months (20 per cent), compared to the previous year.

**Figure 2-2****Operating Expenditures in the First Quarter of the Fiscal Year**

Sources: Government of Canada; PBO calculations

The lower level of spending was widespread across most organizations and could reflect the implementation of restraint measures announced in Budget 2012, as well as the two preceding budgets.

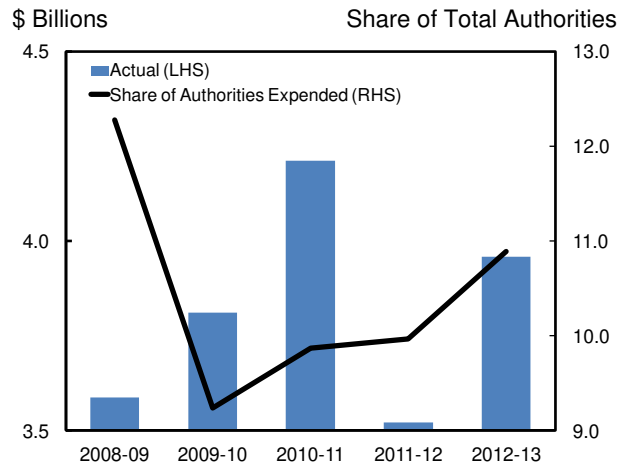
As presented in Figure 2-3, capital expenditures increased almost 40 per cent in the first three months of 2012-13 to approximately \$0.6 billion. The share of expenditures relative to authorities also increased to 8 per cent. Typically, capital expenditures tend to build over the course of the fiscal year, with the majority of activity during the second half.

**Figure 2-3****Capital Expenditures in the First Quarter of the Fiscal Year**

Sources: Government of Canada; PBO calculations

A substantial part of the increase is attributable to National Defence (\$93 million higher compared to the same period in 2011-12). The organization's quarterly report confirmed that the higher spending was related to infrastructure investment, as well as acquisitions of equipment such as the Medium-to-Heavy Lift Helicopter.<sup>5</sup>

Expenditures relating to 'other' transfer payments increased 12 per cent to approximately \$4 billion in the first three months of 2012-13 compared to the previous year (Figure 2-4). Authorized amounts for non-major transfer payments have risen slightly by 3 per cent compared to the previous fiscal year. As such, the share of expenditures relative to authorities grew to 11 per cent in the first three months.

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

Sources: Government of Canada; PBO calculations

**3 Internal Services**

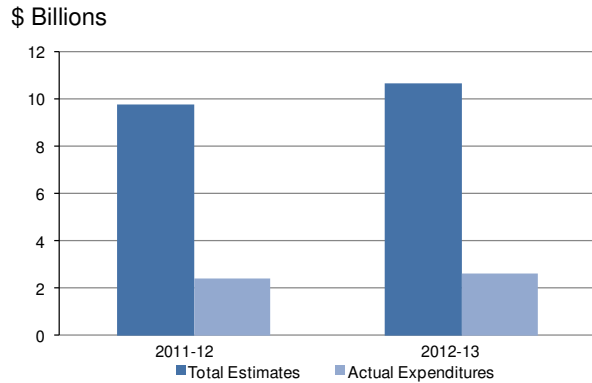
Internal Services represents a significant amount of total expenditures in a fiscal year, as it includes areas such as communications, financial management, human resource management, and information technology.<sup>6</sup> It is a composite of operating and capital expenditures.

Expenditures for Internal Services were approximately \$2.6 billion in the first quarter, almost 9 per cent higher than the previous year and similar to the growth rate for planned expenditures in this area outlined in the Government's Estimates (Figure 2-5). As such, the rate of spending was unchanged from the previous year (25 per cent).

<sup>5</sup> <http://www.admfincs.forces.gc.ca/rp/062012-eng.asp>. Accessed September 2012.

<sup>6</sup> <http://www.tbs-sct.gc.ca/est-pre/20122013/me-bpd/me-bpd-eng.pdf>. Accessed September 2012.

**Figure 2-5**  
**Internal Services Expenditures**



Source: Government of Canada; PBO Calculations

Given that approximately 70 per cent of the planned savings from the Budget 2012 Strategic Operating Review relates to “efficiencies”, and much of this pertains to back-office restructuring, Internal Service spending is expected to decrease over the medium term.<sup>7</sup>

#### 4 Individual Items

To determine the variation in departmental spending in the first quarter of 2012-13, PBO analyzed data from both votes and program activities, comparing them to the same quarter in the previous fiscal year. The major changes in expenditures, both in terms of dollar value and percentage, are presented in Annex A.

Most material changes in *authorities* are explained in the quarterly financial reports published in August. However, since organizations are not required to report on program activities, there are few explanations regarding these changes.<sup>8</sup> For instance, there is no explanation regarding the 61 per cent year-over-year decrease in expenditures for

the Canada School of Public Service’s Organizational Leadership Development, as well as the 495 per cent year-over-year increase for Fisheries and Oceans’ Marine Navigation expenditures. A full description of every program activity in the Government of Canada is presented on the [Treasury Board Secretariat’s Web site](#).

As outlined in another PBO report released on October 3, 2012, very few of departments’ and agencies’ quarterly reports identify the impact of spending reductions announced in Budget 2012. As such, it is difficult to assess whether the substantial changes in year-over-year spending are due to planned spending reductions/program eliminations or some other factor.

#### 5 Conclusion

Based on the first three months of the 2012-13 fiscal year, total federal expenditures are unchanged compared to the same period in the previous fiscal year. This is lower than the plan outlined in Budget 2012, which projected total expenses to rise 1.1 per cent from 2011-12 to 2012-13 (year/year).<sup>9</sup>

Given the Government’s focus on constraining direct program spending to achieve fiscal targets, the PBO will continue to monitor implementation of Budget 2012 and the Government’s Expense Plan.

The Integrated Monitoring Database (IMD) has been updated to include expenditure data for the first quarter of 2012, including the program activity data. The input sheets are also posted on the [Research Resources](#) section of the PBO Web site.

<sup>7</sup> <http://www.budget.gc.ca/2012/plan/toc-tdm-eng.html>. Accessed September 2012.

<sup>8</sup> <http://laws-lois.justice.gc.ca/eng/acts/f-11/page-32.html#docCont>. Accessed September 2012.

<sup>9</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.

## Annex A

**Table 1. Largest \$ Changes in Authorities: Total Expenditures in 2012-13 Q1 versus previous year<sup>1</sup>**

Organization	Authorities	\$ (000s) Δ	Explanation from Quarterly Report
Human Resources and Skills Development	<b>Old Age Security payments</b>	467,337	<i>Greater number of seniors; increased payment amounts</i>
Finance	<b>Public Debt Interest and other costs</b>	-466,874	<i>Decreased interest rates</i>
Finance	<b>Canada Health Transfer</b>	404,278	<i>Planned legislative increase</i>
Finance	<b>Fiscal Equalization</b>	190,984	<i>Planned legislative increase</i>
Human Resources and Skills Development	<b>Guaranteed Income Supplement Payments</b>	186,226	<i>Greater number of seniors; increased payment amounts</i>
Human Resources and Skills Development	<b>Grants and contributions</b>	177,774	<i>Timing differences for payments under the Labour Market Agreements for Persons with Disabilities and the New Horizons for Seniors</i>
Chief Electoral Officer	<b>Election Expenses</b>	-175,771	<i>41st Election held during first quarter of previous year.</i>
National Defence	<b>Operating expenditures</b>	-163,899	<i>Spin-off of Communications Security Establishment; transfer of operations to Shared Services Canada</i>
Office of Infrastructure of Canada	<b>Contributions</b>	162,995	<i>None</i>
Aboriginal Affairs	<b>Grants and contributions</b>	154,635	<i>Increased expenditures on claims activities, such as the Cote Specific Claim*</i>

1. All Authorities listed in the 2012-13 Main Estimates with total authorities above \$100 million in 2011-12 or 2012-13; excluding non-budgetary items.

\*The original table mistakenly identified the wrong Specific Claim as an explanation for the expenditure increase.

**Table 2. Largest % Changes in Authorities: Total Expenditures in 2012-13 Q1 versus previous year<sup>1</sup>**

Organization	Authorities	Δ %	Explanation from Quarterly Report
Canadian Food Inspection Agency	Compensation payments	4078%	Increase in compensation payments to owners of salmon due to Infectious Salmon Anaemia
Canadian Space Agency	Capital expenditures	1080%	Increase due to variations in payment schedules and project life cycles
Public Service Commission	Contributions to employee benefits plans	988%	Timing difference in the processing of Employee Benefit Costs
Environment	Capital expenditures	645%	None
Office of the Co-ordinator, Status of Women	Grants and contributions	541%	Timing difference in project payment schedules
National Defence	Grants and contributions	267%	Timing difference primarily related to NATO Contribution Program
Human Resources and Skills Development	Canada Disability Savings Bond	248%	None
Foreign Affairs and International Trade	Capital expenditures	104%	None
Agriculture and Agri-food	Contribution payments for AgriInsurance	102%	Increased payments due to higher commodity prices
Human Resources and Skills Development	Compensation for government employees and merchant seamen	91%	None

1. All Authorities listed in the 2012-13 Main Estimates with total authorities above \$10 million in 2011-12 or 2012-13; excluding non-budgetary items.



**Table 3. Largest \$ Changes in Program Activities: Total Expenditures in 2012-13 Q1 versus previous year<sup>1</sup>**

Organization	Program Activities	\$ Δ (000s)	Explanation from Quarterly Report
Finance	<b>Transfer and Taxation Payment Programs</b>	722,525	<i>Planned legislative increases in transfer programs</i>
Human Resources and Skills Development	<b>Income Security</b>	710,193	<i>Greater number of seniors; increased payment amounts</i>
Finance	<b>Treasury and Financial Affairs</b>	-534,766	<i>Decreased interest rates</i>
Royal Canadian Mounted Police	<b>Police Operations</b>	-233,023	<i>None</i>
National Defence	<b>International Peace, Stability and Security</b>	-204,328	<i>None</i>
Natural Resources	<b>Internal Services</b>	192,988	<i>None</i>
Office of Infrastructure of Canada	<b>Gas Tax Fund</b>	162,016	<i>None</i>
Chief Electoral Office	<b>Electoral Operations</b>	-154,556	<i>41st Election held during first quarter of previous year</i>
Statistics Canada	<b>Census, Demography and Aboriginal Statistics</b>	-150,029	<i>2011 Census of Population held during first quarter of previous year</i>
Human Resources and Skills Development	<b>Skills and Employment</b>	135,578	<i>None</i>

1. All Program Activities listed in the 2012-13 Main Estimates with total authorities above \$10 million in 2011-12 or 2012-13; excluding non-budgetary items.

**Table 4a. Largest % Increase in Program Activities: Total Expenditures in 2012-13 Q1 versus previous year<sup>1</sup>**

Organization	Program Activities	Δ %	Explanation from Quarterly Report
Canadian Northern Economic Development Agency	Business Development	2491%	None
Office of Infrastructure of Canada	Building Canada Fund - Major Infrastructure Component	1627%	Increase primarily due to project timing for the Building Canada Fund
Aboriginal Affairs and Northern Development	Urban Aboriginal Strategy	948%	None
Aboriginal Affairs and Northern Development	Co-operative Relationships	889%	None
Public Safety and Emergency Preparedness	Emergency Management	712%	None
Veterans Affairs	Remembrance Outreach/Canada Remembers Program	629%	None
Industry	Marketplace Frameworks and Regulations	524%	None
Fisheries and Oceans	Waterways Management/Marine Navigation	495%	None
Industry	Research and Development Financing/Industrial Research and Development Financing	333%	None
Office of the Superintendent of Financial Institutions	Internal Services	326%	None

1. All Program Activities listed in the 2012-13 Main Estimates with total authorities above \$10 million in 2011-12 or 2012-13; excluding non-budgetary items.

**Table 4b. Largest % Decrease in Program Activities: Total Expenditures in 2012-13 Q1 versus previous year<sup>1</sup>**

Organization	Program Activities	Δ %	Explanation from Quarterly Report
National Research Council of Canada	Scientific, Technical and Medical Information	-100%	None
Chief Electoral Officer	Electoral Operations	-97%	41st Election held during first quarter of previous year
Statistics Canada	Census, Demography and Aboriginal Statistics	-90%	2011 Census of Population held during first quarter of previous year
Chief Electoral Officer	Regulation of Electoral Activities	-83%	41st Election held during first quarter of previous year
Aboriginal Affairs and Northern Development	Federal Administration of Reserve Land	-81%	None
Federal Economic Development Agency for Southern Ontario	Business and Innovation Development/Business Development	-80%	None
Human Resources and Skills Development	Citizen-Centred Service	-75%	None
Canadian Heritage	Cultural Industries	-63%	None
Canada School of Public Service	Organizational Leadership Development	-61%	None
Agriculture and Agri-Food	Rural and Co-operatives Development	-60%	None

1. All Program Activities listed in the 2012-13 Main Estimates with total authorities above \$10 million in 2011-12 or 2012-13; excluding non-budgetary items.