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FUNDING NEW GOVERNMENT INITIATIVES: FROM ANNOUNCEMENT TO MONEY ALLOCATION

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EXECUTIVE SUMMARY

New government initiatives are announced through different sources, including the Speech from the Throne, the federal budget, international agreements, federal–provincial-territorial agreements, ministerial mandate letters and ministerial proposals. However, before a new initiative receives funding, approvals from Cabinet, the Treasury Board and Parliament are needed.

This paper describes these approvals along with the role of the central agencies involved in this process – the Privy Council Office, the Department of Finance Canada and the Treasury Board of Canada Secretariat – and the role of Parliament. A budget initiative is selected as an example; the allocation of funds for this initiative is followed in the estimates, and actual spending is followed in the Public Accounts of Canada.

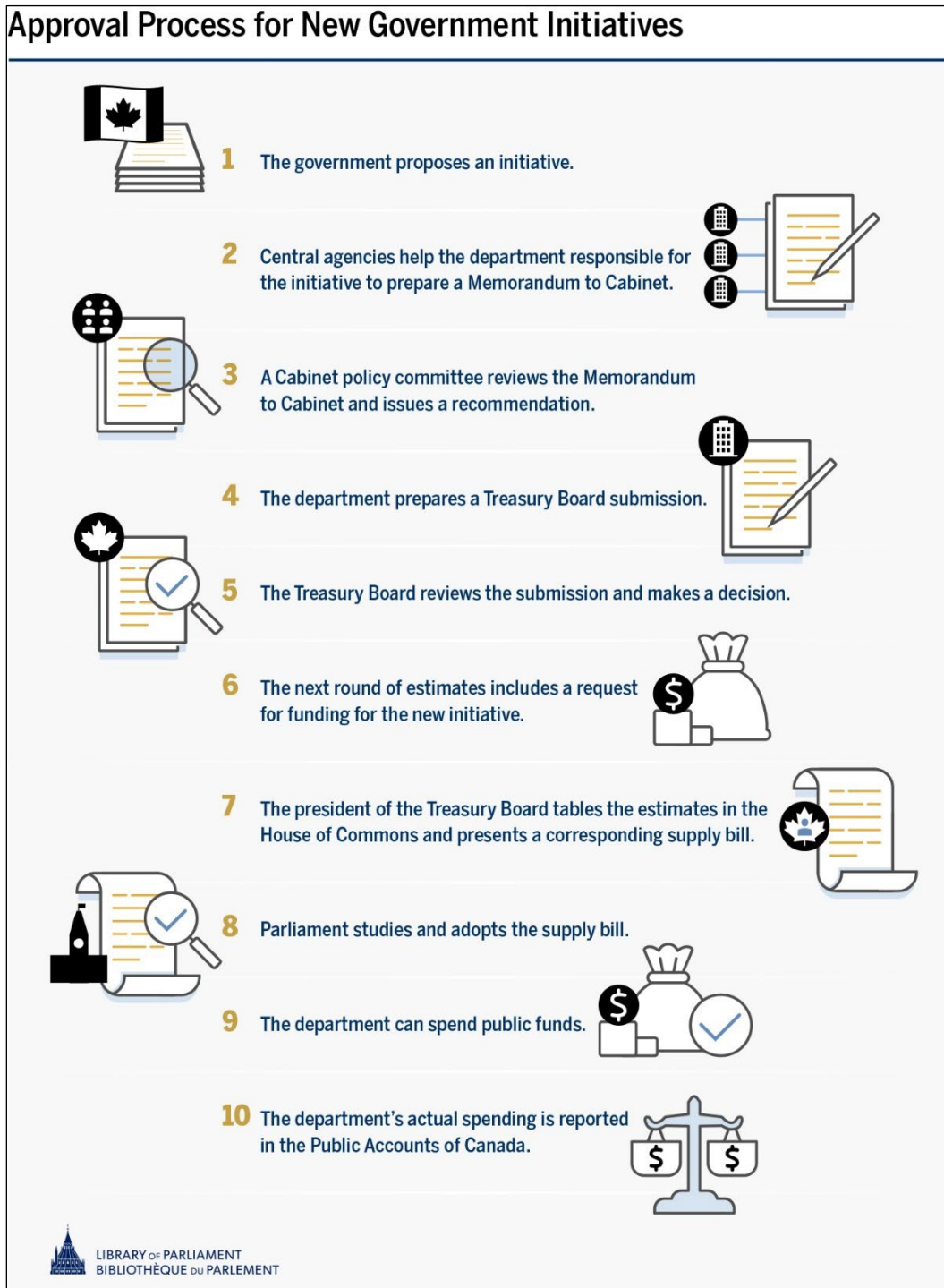
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1 INTRODUCTION

New government initiatives or substantive modifications to existing government programs originate from or are announced through different sources, including the Speech from the Throne, the federal budget, international agreements, federal–provincial-territorial agreements, ministerial mandate letters and ministerial proposals. The departments and agencies, in collaboration with their ministers, develop new initiatives and modify existing programs according to the government’s priorities, policies and plans.

Before funds are allocated to departments and agencies to implement new initiatives or to change existing programs, a series of three approvals is usually needed, one each from Cabinet,¹ the Treasury Board (TB) and Parliament. This paper describes each of these approvals along with the role of the central agencies involved in this process: the Privy Council Office (PCO), the Department of Finance Canada and the Treasury Board of Canada Secretariat (TBS).² Figure 1 presents the approval process for new government initiatives.

Figure 1 – Process for Approving New Government Initiatives



Source: Figure prepared by the Library of Parliament.

2 BUDGET PROCESS

Several initiatives and changes to existing programs are announced in the federal budget, which is developed by the Department of Finance Canada. The minister of finance asks other ministers to send proposals to be considered for inclusion in the upcoming budget.³ With support from their respective departments and agencies, ministers usually prepare and submit a budget letter in the fall to request the creation of new initiatives or to modify existing programs. The minister of finance and the prime minister review the proposals and decide which ones will be included in the upcoming budget, usually presented in the winter.⁴

One example of an initiative that has followed the typical budget process is the Smart Cities Challenge⁵ Fund. This fund was announced in Budget 2017 and provided the Office of Infrastructure Canada with \$300 million over 11 years for transfer payments to cities, in order to encourage better city planning and to implement clean, digitally connected technology in buildings and infrastructures, among other things.⁶

Even if an initiative is announced in a budget, to obtain the funds, organizations usually need Cabinet and/or TB approval before they seek parliamentary approval, and this is done through the supply or estimates process.⁷

Following the budget, the government presents budget implementation bills – usually one in the spring and one in the fall – for budget initiatives that require legislative changes, such as changes in taxation. Parliament reviews these bills, then decides whether or not to adopt them.

3 CABINET APPROVAL

New initiatives or significant changes to an existing program must first receive policy approval from Cabinet; this is usually obtained by submitting a Memorandum to Cabinet (MC). An MC is prepared by the relevant department(s) or agency(ies) in consultation with the relevant minister(s) to seek a Cabinet decision on a new initiative proposal, make substantive changes to an existing program or bring issues forward. The main components of an MC are the ministerial recommendations; they provide an overview of the issue, the minister's recommendations, the funding requirements, the rationale for proceeding, alternative options, the recommended policy approach and other considerations, such as *Official Languages Act* requirements and gender-based analysis plus (GBA+) results. They also include a section on due diligence which states that the sponsoring department's chief financial officer has reviewed the MC and attests to the information it contains on the financial, asset and human resource implications of the proposed and alternative options. Lastly, the MC contains three annexes: the implementation plan, the strategic communications plan and the parliamentary plan.⁸

PCO supports the prime minister and the Cabinet decision-making process. As such, PCO helps departments and agencies prepare MCs and other departmental submissions; it challenges their proposals to ensure they follow the government's policy direction. It also ensures the coherent and consistent implementation of Cabinet decisions across government. In addition to PCO, the Department of Finance Canada and TBS also assist departments and agencies by helping to identify potential policy, fiscal and implementation issues with the initiative before an MC is presented to a Cabinet committee.⁹

Usually, ministers present the MC to the appropriate Cabinet committee and its member ministers for discussion. There are two types of Cabinet committees: policy committees that consider proposals aimed at implementing the government's agenda, parliamentary business and other matters of general concern to the government, and executive committees to confirm the decisions made by policy committees, consider items of special urgency and political issues, and review senior appointments.¹⁰

A Cabinet committee can ask the minister to revise the MC and include an update, an evaluation or a more detailed proposal and return it to Cabinet. An MC can be fully approved, approved with conditions, postponed or rejected. Once the Cabinet policy committee has reached a consensus and has issued a Cabinet Committee Recommendation, an executive committee chaired by the prime minister, the TB Committee or the full Cabinet must confirm the decision.¹¹ However, when the initiative is modified after being approved by Cabinet, the sponsoring minister must return to Cabinet with a revised MC.

The MC and Cabinet decisions are confidential; it is therefore impossible to examine the Cabinet process and the approval of a selected initiative.

If the MC is approved, the sponsoring department must usually identify a source of funding for the initiative and prepare a TB submission to obtain TB approval.

4 TREASURY BOARD APPROVAL

After Cabinet has approved an initiative, the sponsoring department or agency must prepare a TB submission seeking spending authority from the TB ministers to implement the initiative. A TB submission usually includes details of the initiative's design, delivery and implementation approach. It also identifies its policy goals, expected results, funding requirements and total costs, source of funding, potential risks and risk mitigation strategies, and it considers Indigenous peoples, official languages and GBA+ results.¹²

TBS provides advice and makes recommendations to the TB Committee on how the government spends money, how it manages programs and services, and how it develops and implements policies, directives, regulations and orders in council.

TBS also helps departments and agencies prepare TB submissions; it has both a challenge function and an oversight role. It ensures that submissions meet quality standards, demonstrate value for money and include all required elements before they are reviewed by the TB Committee.¹³

When TBS receives a draft TB submission, it first ensures that the department or agency has secured a source of funding for the initiative. Funding can come from the budget, existing government funds (known as the fiscal framework), an internal reallocation of funds or other sources. Then, TBS reviews the submission and provides feedback to the sponsoring department or agency through an iterative process until they agree on the submission.¹⁴ Next, TBS prepares a précis that summarizes the department's or agency's submission, a risk assessment and mitigation strategies, a costing analysis and a recommendation to the TB to approve, not approve, or approve with conditions the proposals presented in the TB submission.¹⁵

Finally, submissions and cases are presented to TB by senior TBS officials rather than by the sponsoring ministers like in other Cabinet committees.¹⁶ The TB Committee can fully approve, approve with conditions, defer the decision or reject a submission. It usually takes several months to process a TB submission.

As in the Cabinet process, TB documents and decisions are confidential. It is therefore impossible to examine the TB process and approval of a selected initiative.

5 PARLIAMENTARY APPROVAL

The government cannot spend funds without the approval of Parliament. The government seeks this approval by presenting supply bills that become appropriation acts once approved.

Before the presentation of supply bills, TBS prepares main and supplementary estimates, and the departments and agencies develop departmental plans to help parliamentarians understand and scrutinize the government's spending plans. The Treasury Board president tables these documents in the House of Commons. The main estimates present the government's spending plans and the departments' and agencies' funding requests for the upcoming fiscal year starting 1 April; they must be tabled no later than 1 March. Departmental plans accompany the main estimates and provide details about how the departments and agencies plan to use the requested funds and what results are expected in the upcoming year. They are usually tabled shortly after the main estimates, but they do not have a set deadline.

Departments and agencies typically have three opportunities to request additional funding for new initiatives or unforeseen events through supplementary estimates, presented in May, November and February. Although budget initiatives are usually presented in supplementary estimates, funding for the Smart Cities Challenge Fund

was first requested in the *2018–19 Main Estimates*.¹⁷ In these main estimates, the Office of Infrastructure Canada requested \$6.25 million in grants and \$2 million in contributions under Vote 10 for that fund.

The votes contained in the main and supplementary estimates are funding requests referred to parliamentary committees for review before Parliament adopts the appropriation bills. On 16 April 2018, Vote 10 under the Office of Infrastructure of Canada was referred to the House of Commons Standing Committee on Transport, Infrastructure and Communities.¹⁸ On 23 May 2018, the committee held a meeting on the *2018–19 Main Estimates* and heard from the minister of Infrastructure and Communities along with officials from the Office of Infrastructure Canada.¹⁹ On 4 June 2018, the chair of the committee reported back to the House of Commons on Vote 10 under the Office of Infrastructure of Canada without any changes.²⁰

On 21 June 2018, Parliament approved a total of \$3.1 billion for Vote 10 under the Office of Infrastructure Canada, which included the requested allocation of \$6.25 million and \$2 million for the Smart Cities Challenge Fund through the approval of Bill C-80, An Act for granting to Her Majesty certain sums of money for the federal public administration for the fiscal year ending March 31, 2019.²¹

6 FUNDING FLOWS TO DEPARTMENTS AND AGENCIES

After appropriation bills are approved by Parliament, departments and agencies can begin to spend public funds up to the amount approved, but not more than what was approved. After the fiscal year ends, the government publishes the Public Accounts of Canada to present its actual spending against the amounts approved by Parliament.

Since the funds are allocated under large votes that include various items, it is often not possible to know how much an organization spent on a single initiative. However, departments and agencies report the actual amount spent on grants and contributions in the Public Accounts of Canada. For example, in the *Public Accounts of Canada 2019*, the Office of Infrastructure Canada reported that in 2018, it used \$5 million to allocate grants and \$2 million to allocate contributions under the Smart Cities Challenge Fund.²²

NOTES

1. Cabinet is formed by ministers who are appointed by the Governor General on the advice of the prime minister. The ministers are members of Parliament who belong to the party in power in the House of Commons; the ministers can also be senators. The role of Cabinet is to advise the prime minister and make decisions on government policy, legislation, priorities and initiatives. Cabinet must also approve new or major policy changes that seek new funding or policy authority for an initiative, or that propose a new or modified policy or program. See Government of Canada, [Background on Government and Portfolio Processes – Ministerial Briefing – Volume VI](#).

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2. The Treasury Board of Canada Secretariat is the administrative branch of the Treasury Board of Canada.
3. The budget presents the government priorities, policies and plans as agreed to by Cabinet. It also announces new spending initiatives and tax measures along with forecasted economic conditions for the upcoming year. Although there is no requirement for the presentation of a budget, one is usually presented in February or March. Due to the COVID-19 pandemic, the minister of finance decided not to present a budget in 2020.
4. Government of Canada, [Machinery of Government](#).
5. Infrastructure Canada, [Smart Cities Challenge](#).
6. Department of Finance Canada, [Building a Strong Middle Class](#), Budget 2017, p. 118.
7. Government of Canada, [Federal budget process](#).
8. Privy Council Office, [A Drafter's Guide to Cabinet Documents](#), 2013.
9. Ibid., p. 18.
10. Government of Canada, [Background on Government and Portfolio Processes – Ministerial Briefing – Volume VI](#).
11. The Treasury Board is an executive committee and the only statutory Cabinet committee established under the *Financial Administration Act*. It is usually chaired by the Treasury Board president. The prime minister also appoints a vice-chair along with a minimum of four additional ministers. The Treasury Board reviews and approves proposals related to expenditures, personnel, procurement, transfer payments and information technology projects. It is also responsible for funding allocations to departments and agencies for programs and approving regulations and orders in council, excluding appointments. See Government of Canada, [Machinery of Government](#).
12. Government of Canada, [Treasury Board Submissions](#); and Treasury Board of Canada Secretariat, [Guidance for Drafters of Treasury Board Submissions](#).
13. Government of Canada, [Service and Quality Standards to Support TB Submission Reviews](#).
14. Treasury Board of Canada Secretariat, [TBS Program Sector Machinery: how to support change](#), 24 October 2019, p. 5.
15. Government of Canada, [Three Phases of the TB Submission Process](#).
16. Government of Canada, [The Business of the Treasury Board](#).
17. Treasury Board of Canada Secretariat, "Office of Infrastructure of Canada," [2018–19 Estimates](#), pp. II–185.
18. In June 2017, the House of Commons adopted a temporary reform to address the estimates timing. Under that temporary reform, the date of the tabling of the main estimates for 2018–2019 and 2019–2020 was changed from on or before 1 March to 16 April. See Raphaëlle Deraspe and Alex Smith, [Estimates Reform and the 43rd Parliament](#), Publication no. 2019-44-E, Library of Parliament, 14 November 2019; and House of Commons, [Journals](#), 16 April 2018.
19. House of Commons, Standing Committee on Transport, Infrastructure and Communities (TRAN), [Minutes of Proceedings](#), 23 May 2018.
20. TRAN, [Main Estimates 2018–19: Vote 1 under Canadian Air Transport Security Authority, Vote 1 under Canadian Transportation Agency, Votes 1, 5, 10, 15 and 20 under Department of Transport, Vote 1 under Marine Atlantic Inc., Votes 1, 5 and 10 under Office of Infrastructure of Canada, Vote 1 under The Federal Bridge Corporation Limited, Vote 1 under The Jacques-Cartier and Champlain Bridges Inc., Vote 1 under VIA Rail Canada Inc. and Vote 1 under Windsor-Detroit Bridge Authority](#), Twenty-fourth Report, 4 June 2018.
21. [Bill C-80, An Act for granting to Her Majesty certain sums of money for the federal public administration for the fiscal year ending March 31, 2019](#), 42nd Parliament, 1st Session (S.C. 2018, c. 17).
22. Receiver General for Canada, "Section 14 – Infrastructure and Communities," [Public Accounts of Canada 2018–2019: Volume II](#), p. 289.

