



IN BRIEF

ESTIMATES REFORM AND THE 43RD PARLIAMENT

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ESTIMATES REFORM AND THE 43RD PARLIAMENT

1 INTRODUCTION

The federal government requires authorization from Parliament to spend public funds. This authorization is provided through parliamentary review and approval of legislation. The estimates process, whereby the government presents its spending plans and associated appropriation bills, has been criticized as being complex and not favouring effective parliamentary scrutiny. To address some of the criticisms, the House of Commons implemented temporary reforms to its Standing Orders, which expired when the 42nd Parliament was dissolved in September 2019. However, the 43rd Parliament could decide to re-enact the reforms or adopt new ones.

This publication describes the current estimates process and reforms that were implemented in the 42nd Parliament. It sets out the context of the reforms, outlines concerns raised by parliamentary committees, describes how the reforms were adjusted and provides considerations for moving forward in this Parliament.

2 BACKGROUND – THE ESTIMATES PROCESS

Approximately 60% of all federal spending is authorized through existing legislation. These expenditures are called “statutory,” as legislation provides ongoing authority to spend funds. Examples of statutory spending include equalization payments to provinces, the Canada Health Transfer, and Employment Insurance and Old Age Security payments.

Parliament authorizes the remaining federal spending through appropriation bills. The spending authority provided by these bills lapses at the end of the fiscal year. The government outlines its proposed spending for the current fiscal year for each federal organization in estimates documents. Each organization’s spending plans are incorporated into one or more spending votes (organizational votes). These expenditures are called “voted” and include the government’s operating and capital expenditures, as well as grants and contributions programs.

The consideration of voted spending and the approval of appropriation bills is also known as the business of supply.¹ These organizational votes are referred to the relevant House of Commons committees for review. These committees can question ministers and government officials and vote to approve, reduce or reject the voted expenditures referred to them. On the last allotted day in the supply period,² the House votes on the estimates and its associated appropriation bill, which is then sent to the Senate for review and approval. The Standing Senate Committee on National Finance studies the estimates documents, but it does not vote on the estimates. Once the bill receives Royal Assent, the government may spend up to the amounts specified for the purposes indicated in the bill.

3 TEMPORARY REFORMS DURING THE 42ND PARLIAMENT

3.1 GOVERNMENT DISCUSSION PAPER

In October 2016, the Treasury Board of Canada Secretariat released a discussion paper on reforming the estimates process entitled *Empowering parliamentarians through better information*.³ The paper proposed four areas of reform:

- **Estimates timing:** As new spending announced in the budget is not included in the main estimates, the Secretariat proposed delaying the main estimates from 1 March to 1 May.
- **Scope and accounting methods:** The budget and the main estimates use different accounting methods. The Secretariat proposed a reconciliation between these methods and providing more useful accrual information in the estimates.⁴
- **Vote structure:** To strengthen the link between departmental programs and voted funds, Transport Canada undertook a pilot project of purpose-based votes for its grants and contributions. In May 2019, the Secretariat decided to terminate the pilot project after 2019–2020 and not transition to purpose based votes.⁵
- **Departmental plans and department results reports:** The Secretariat committed to reforming departmental reports to include better information on planned spending, expected outcomes and actual results.

Only the first area of reform required action by Parliament, as the *Standing Orders of the House of Commons* required the main estimates to be tabled on or before 1 March.

3.2 CHANGES TO STANDING ORDERS

To address the area of estimates timing, on 20 June 2017, the House of Commons adopted a motion to amend the Standing Orders to reform the estimates process.

- The date of the tabling of the main estimates was changed from on or before 1 March to 16 April. This date was chosen in response to concerns that the government's original proposal of 1 May would reduce the time available to Parliament to consider the main estimates.
- Interim estimates were introduced to authorize funding for the government during the first three months of the fiscal year beginning 1 April, until the main estimates were approved at the end of June. In addition, the interim estimates were referred to parliamentary committees for review.
- The deadline for the Leader of the Opposition to select two departments for consideration by committees of the whole was moved from 1 May to 8 May, and the deadline to give notice of a motion to extend consideration of a department's main estimates was moved from 31 May to 10 June.

- House of Commons committees were given until 10 June, instead of 31 May, to report back to the House on the main estimates that were referred to them; if no report is made by the deadline, the committee is deemed to have reported.

These changes were in place for the fiscal years 2018–2019 and 2019–2020 but lapsed at the end of the 42nd Parliament.

3.3 2018–2019 BUDGET IMPLEMENTATION VOTE

Previously, the budget would announce spending, federal organizations would seek Treasury Board approval for detailed spending plans, and then Parliament would authorize the spending in subsequent estimates documents. However, as the main estimates were usually tabled prior to the presentation of the budget, they would not include the budget's new spending measures, leading to a lack of funding alignment between the documents.

To help address this misalignment, the changes to the Standing Orders allowed the main estimates to be tabled after the budget. However, the government still did not have sufficient time for Treasury Board to approve the budget measures and then include the spending in departmental estimates votes. The government decided to include all budget spending in one estimates vote for fiscal year 2018–2019.

Budget 2018 included an annex that outlined all new spending measures by federal organization, with a total value of \$7.0 billion. The annex was also included in the publication containing the main estimates for 2018–2019. This spending was incorporated into the new Treasury Board of Canada Secretariat Vote 40 – Budget Implementation.

As the new budget implementation vote was under the Treasury Board of Canada Secretariat, it was referred in its entirety to the House of Commons Standing Committee on Government Operations and Estimates for review, whereas previously, budget spending would be included in departmental votes and referred to the relevant committees.

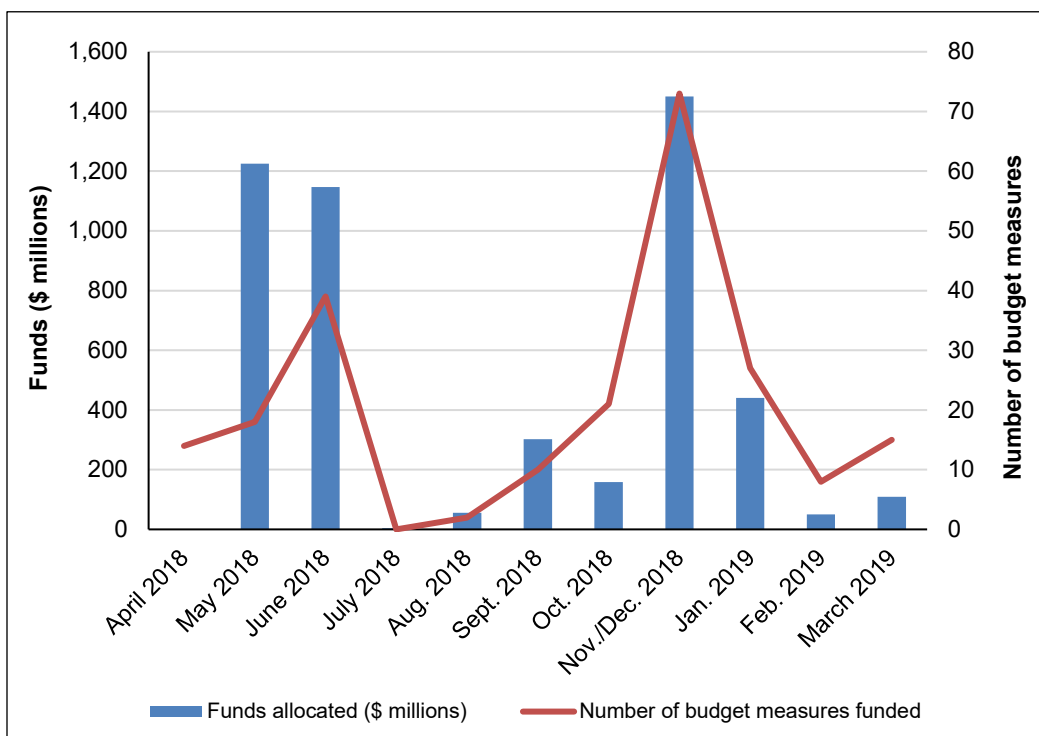
In most cases, Parliament directly authorizes spending by federal organizations through their estimates votes. With Vote 40, Parliament authorized the Treasury Board to provide the funding to the named organizations, once the Treasury Board had reviewed their detailed spending plans.

The initial wording of vote 40 provided the Treasury Board with the authority to supplement any appropriation “in support of initiatives announced in the budget.”⁶ Responding to concerns raised by the Office of the Parliamentary Budget Officer (PBO), the government amended this wording to be more specific, authorizing

the Treasury Board to supplement “any appropriation of a department or other organization set out in Annex 1 to the Main Estimates for the fiscal year.”⁷

The Treasury Board of Canada Secretariat provided parliamentarians with monthly updates on the allocation through this vote on its website.⁸ Figure 1 shows the number of budget measures funded and the allocation of funding each month. The number of budget measures approved and the amount of funding allocated each month varies considerably, with the most measures approved in June (39 measures with \$1.14 billion in funding) and in the November/December period (73 measures with \$1.45 billion in funding).

Figure 1 – Allocation of Vote 40: Budget Implementation 2018–2019



Source: Figure prepared by the authors based on data obtained from Government of Canada, [Sources and Uses of the Budget Implementation vote by Organization](#).

At the end of 2018–2019, the Treasury Board had allocated \$4.9 billion of the \$7.0 billion available. It had withheld \$2.0 billion as the expenditures were authorized through other authorities, such as statutory expenditures for employee benefits plans, or the amounts were reprofiled to subsequent fiscal years. An additional \$72 million was not allocated.

4 EXAMINATION OF THE REFORMS

The House of Commons Standing Committee on Government Operations and Estimates and the Standing Senate Committee on National Finance examined the estimates reforms. The PBO also commented on them.

The House of Commons committee tabled a report on the estimates reform in January 2019, which offered 12 recommendations.⁹ The Senate committee also made observations in its reports on the main estimates for the years 2018–2019 and 2019–2020.¹⁰ These reports identified a number of areas for consideration.

4.1 LACK OF ALIGNMENT

As noted earlier, misalignment between the federal budget and main estimates was a critical concern. During its study, the House of Commons committee heard that this misalignment was due to the tabling of the main estimates prior to the presentation of the federal budget, as well as the lack of collaboration between the Secretariat and the Department of Finance Canada, the two organizations responsible for the preparation of the documents.

To address these issues, the Committee made two recommendations: first, that the government present a plan to table the budget and the main estimates concurrently, with consistent information, and second, that Cabinet and Treasury Board approval processes of budget measures occur in tandem.

The government responded by stating that presenting the budget and the main estimates in a concurrent fashion would involve fixing the date of the budget which “would unnecessarily restrict the Government’s flexibility in responding to global and domestic imperatives.”¹¹ Nevertheless, the government agreed to work towards adjusting its decision-making processes to address the second recommendation.

4.2 BUDGET IMPLEMENTATION VOTE

Some parliamentarians were concerned that the budget implementation vote, which allocated significant funding to various departments and agencies, was referred to and studied by a single House of Commons committee, rather than having the funding included in organizational votes and referred to the relevant committees. The House of Commons committee observed that the Treasury Board should only create central votes of this scale in special circumstances. The committee also encouraged the government to incorporate budget measures into the votes of relevant departments and agencies in the main estimates and thus recommended that budget measures presented in the main estimates be studied by relevant parliamentary committees based on their mandates. The government supported this recommendation while

noting that separate departmental votes for budget measures would facilitate their referral to relevant parliamentary committees.

In response to concerns about the single budget implementation vote included in the *2018–19 Main Estimates*, separate votes for each spending measure announced in Budget 2019 were listed under relevant departments and agencies in the *2019–20 Main Estimates*.

As opposed to Budget 2018 measures, where the Secretariat provided monthly updates of budget implementation vote allocations on its website, it did not do so for Budget 2019 measures. However, it published information on the allocations of funds to budget implementation votes through the GC Infobase¹² and open datasets.¹³

4.3 DEPARTMENTAL PLANS

Departmental plans, which are prepared by all departments and presented each fiscal year around the same time as the main estimates, outline the results that departments intend to achieve with their requested human and financial resources. While budget measures were – under the temporary changes – part of the main estimates, no information on these measures was presented in departmental plans. The House of Commons committee recommended that details of new spending appearing in main and supplementary estimates be presented in departmental plans as soon as possible.

The government agreed with this recommendation but noted that the timing of the budget prevents the inclusion of new budget measures in departmental plans and therefore published a supplementary information report on budget measures in April 2019.¹⁴

4.4 CONTINUED CONCERNS

Despite the improvements made to the estimates process in 2019–2020, some parliamentarians and the PBO continued to have concerns. Most important was that Parliament was voting on budget measures that had not been scrutinized through the Treasury Board submission process (which, as noted by the PBO, is intended to “ensure resources are directed to programs and activities that remain government priorities and achieve value for money”¹⁵) prior to being included in the main estimates. As a result, Parliament had to review and approve budget measures with incomplete information.¹⁶

They were also concerned that, despite the creation of the supplementary information report on budget measures, budget measures were not included in individual departmental plans, leaving Parliament still lacking information on the human and financial resources necessary to implement these measures.

Since the changes made to the *Standing Orders of the House of Commons* lapsed when the 42nd Parliament was dissolved, the Senate committee noted in its report on the main estimates for 2019–2020 that parliamentarians should be consulted on how to include budget measures in the main estimates before making the estimates reform permanent. Similarly, in its report, the House of Commons committee recommended that before making the changes permanent, the committee should have the opportunity to study their impact, in particular the new timeline for the tabling of the estimates. The government supported that recommendation.¹⁷

5 CONSIDERATIONS

The changes to the *Standing Orders of the House of Commons* relating to the estimates process expired at the end of the 42nd Parliament.

Should parliamentarians be asked to consider extending these changes or adopting additional reforms to the estimates process, there are several issues they may wish to consider, including:

- whether the ultimate goals of the proposed reforms and the mechanisms by which the goals will be achieved are clear;
- whether proposed changes to the estimates process require further study and to what extent parliamentarians have been consulted and involved in developing the proposed reforms;
- how the proposed reforms would affect the transparency and parliamentary oversight of government spending; and
- how the government will reform its internal processes to address the issues under discussion.

NOTES

1. More information about the estimates process can be found in Alex Smith and Shaowei Pu, [The Parliamentary Financial Cycle](#), Publication no. 2015-41-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 22 October 2019; and Audrey O'Brien and Marc Bosc, eds., "[Financial Procedures](#)," Chapter 18 in *House of Commons Procedure and Practice*, 2nd ed., House of Commons, Ottawa, 2009.
2. In the House of Commons, the fiscal year, which runs from 1 April to 31 March, is divided into three supply periods, which end on 23 June, 10 December and 26 March. During those periods, the government asks Parliament to approve funds for the delivery of programs and services.
3. Government of Canada, [Empowering parliamentarians through better information](#).
4. The estimates are prepared on a modified cash-based system of accounting, and the budget and public accounts are prepared on an accrual-based system of accounting, whereby amounts are recorded based on the underlying transaction, rather than when cash is spent or received.

5. Joyce Murray, President of the Treasury Board and Minister of Digital Government, [Government Response to the recommendations of the Sixteenth Report of the Standing Committee on Government Operations and Estimates: *Improving Transparency and Parliamentary Oversight of the Government's Spending Plans*](#), 28 May 2019, p. 5.
6. Treasury Board of Canada Secretariat, [2018–19 Estimates](#), 2018, p. A2-32.
7. [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](#), 1st Session, 42nd Parliament (S.C. 2018, c. 17), Schedule 1.
8. Government of Canada, [Sources and Uses of the Budget Implementation vote by Organization](#).
9. House of Commons, Standing Committee on Government Operations and Estimates, [Improving Transparency and Parliamentary Oversight of the Government's Spending Plans](#), Sixteenth Report, 1st Session, 42nd Parliament, January 2019.
10. Senate, Standing Committee on National Finance, [First Interim Report on the 2018–19 Main Estimates](#), Thirty-First Report, 1st Session, 42nd Parliament, June 2018; and Senate, Standing Committee on National Finance, [First Interim Report on the 2019–20 Main Estimates](#), Fortieth Report, 1st Session, 42nd Parliament, June 2019.
11. Murray (2019), p. 2.
12. Government of Canada, [GC InfoBase](#).
13. Government of Canada, [GC InfoBase – Open Datasets](#).
14. Government of Canada, [Supplementary Information Report: 2019–20 Budget Implementation Votes](#).
15. Office of the Parliamentary Budget Officer, [The Government's Expenditure Plan and Main Estimates for 2018–19](#), Ottawa, 1 May 2018, p. 1.
16. Office of the Parliamentary Budget Officer, [The Government's Expenditure Plan and Main Estimates for 2019–20](#), Ottawa, 29 April 2019, pp. 6–8.
17. Murray (2019), p. 1.