



**FIRST INTERIM REPORT ON THE
*MAIN ESTIMATES 2017–18***

Standing Senate Committee on National Finance

FOURTEENTH REPORT

Chair

The Honourable Larry W. Smith

Deputy Chair

The Honourable Anne C. Cools

March 2017

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EXECUTIVE SUMMARY

Main Estimates 2017–18

The Standing Senate Committee on National Finance has an important role to play on behalf of the Senate to assure Canadians that government's spending plans are reasonable, are good value-for-money and achieve the government's objectives. To fulfill this role, our committee closely examines and reports to the Senate on the government's spending plans.

In the *Main Estimates 2017–18*, tabled in the Senate on last February 28th and referred to our committee for consideration on March 1 (appendix 1), the government requested Parliament's authority for \$102.1 billion for spending. It also forecasted its statutory spending at \$155.8 billion, for all budgetary expenditures being \$257.9 billion for the fiscal year 2017–2018, an increase of \$7.8 billion compared to the *Main Estimates 2016–2017*.

To review these estimates, our committee held two meetings with officials from seven Departments and agencies. Our committee noted, and decided to report, on key issues raised in its meetings.

To allow our committee to debate Government's program design and delivery in a timely manner, our committee expects the Government's entities that appear before it to also include the organisation's operational managers.

Our committee has made the following observations for each entity studied:

1. Our committee hopes that the Office of Infrastructure of Canada will optimize the processes through which its provincial, territorial and municipal partners may acquire the necessary information and funding from the Government's programs.
2. The Department of Employment and Social Development seeks an increase of \$461.5 million for expenditures respecting the Canada Student Loans and Grants for Students and Apprentices Program, because of a policy change aimed at increasing grants for low and middle-income families, and to reduce student loans. As summer approaches, our committee is concerned that the Canada Summer Jobs Program did not entirely reach its targets in 2016.
3. Our committee hopes that the Department of National Defence will develop its action plan to ensure that the reserve force has the resources needed, particularly to increase reserve membership from the current 27,000 members to 28,500 members by 2019.
4. Consistent with its new international assistance policy and funding framework, the Department of Foreign Affairs, Trade and Development is seeking over \$3.5 billion for international development and poverty reduction, a 13% increase of \$407.8 million compared with the previous year.
5. Our committee supports the mandate of the Department of Veterans Affairs and believes it must ensure that veterans, in recognition of their important contribution to Canada, receive the services to which they are entitled.
6. The Department of Finance forecasts that the Government's public debt charges will be about \$21.5 billion in 2017–2018, a decrease of \$1.3 billion compared to the previous fiscal year, largely due to the forecasted decrease in interest rates. In Budget 2017, the Department re-evaluated its forecasts.

7. Our committee notes the Treasury Board Secretariat's efforts to increase transparency and effectiveness in the budget process. Our committee encourages the Secretariat to continue its efforts and to report to our committee on its developments respecting budget process reform.

INTRODUCTION

The Standing Senate Committee on National Finance (hereinafter “committee”) has an important role to play on behalf of the Senate and Canadians in our examination of the federal government’s spending plans, as submitted in their main and supplementary estimates. Our committee reviews the government’s spending plans and estimates, and examines their value-for-money and effectiveness in achieving the Government’s stated objectives. Our committee also presents its reports on the estimates to the Senate for consideration and study.

The *Main Estimates 2017–18*, tabled in the Senate on 28 February 2017, contain total budgetary expenditures of \$257.92 billion (see Table 1).

Table 1—*Main Estimates 2017–18* (\$ billions)

	2015–2016 Actual Expenditures	2016–2017		2017–2018 Main Estimates
		Main Estimates	Estimates To Date	
Budgetary expenditures				
Voted	85.17	89.85	103.18	102.14
Statutory	156.21	160.29	153.98	155.78
Total budgetary	241.38	250.14	257.17	257.92
Non-budgetary expenditures				
Voted	0.04	0.03	0.06	0.03
Statutory	55.55	0.34	(0.09)	(0.25)
Total non-budgetary	55.59	0.37	(0.03)	(0.22)

Source: Table prepared by the authors using data from Treasury Board of Canada Secretariat, [Main Estimates 2017–18](#), p. I-3.

In its study of the *Main Estimates 2017–18*, our committee decided to seek the appearance before us of seven governmental organizations that together requested \$41.4 billion, being 40.5% of the total voted appropriations sought by all federal entities in these main estimates. During our two meetings, our committee examined the estimates of the seven Departments and agencies, as follows:

On 7 March 2017:

- Office of Infrastructure of Canada
- Department of Veterans Affairs
- Department of Finance
- Treasury Board Secretariat

On 8 March 2017:

- Department of Employment and Social Development
- Department of National Defence
- Global Affairs Canada (Department of Foreign Affairs, Trade and Development)

Our report highlights issues raised during the committee’s examination of these main estimates, and now presents its observations on them.

1 OFFICE OF INFRASTRUCTURE OF CANADA

The Office of Infrastructure of Canada supports the development of public infrastructure and helps provinces, territories and municipalities pursue their priorities.

Committee Observations

Our committee expects that the Office of Infrastructure will optimize the processes its provincial, territorial and municipal partners use to obtain necessary information and funding from its programs.

Our committee believes that this goal could be achieved more easily with the creation of a “single window” to access funding and by the designation of the Office of Infrastructure as the sole federal Department responsible for infrastructure funding.

1.1 Estimates Overview

In the *Main Estimates 2017–18*, the Office of Infrastructure of Canada is requesting total voted authorities of \$4.9 billion, which is an increase of \$3.1 billion from the total voted authorities of the *Main Estimates 2016–17*.

1.2 New Champlain Bridge Project

The Department’s capital expenditures have increased by \$455 million mainly because the new Champlain bridge project in the Montreal area has reached its first milestone. The goal is to open the bridge in December 2018, and most of the federal government’s expenditures of approximately \$4 billion will be spent by 2019.

1.3 Project Oversight and Transparency

The Department makes its budgetary forecasts based on the information it receives from its partners. It has a project oversight capacity and ensures that funds are spent according to plan. The Department can launch an audit on any project at any time. It also has a review panel that includes members external to the organization, who are asked to validate its internal audits. The Department publishes a list of all the projects that have been approved on its website.

1.4 Residual Funding from Former Programs

Some committee members pointed out that the Building Canada Fund continues to receive funding. The Departmental officials explained that the planning phase for some projects may have taken longer than expected, the project designs may have changed along the way or the assessment and audit phases may not be completed. The Department’s programs are kept in place until all claims have been received.

1.5 Unallocated Funds

Some committee members mentioned the importance of infrastructure investment to the country’s economic growth and asked the Departmental officials about the funding that has not been allocated under these programs. Witnesses explained that there seems to be a considerable amount of time

between the moment main expenditures for an infrastructure project are made and the time at which the claim is submitted to the Office of Infrastructure of Canada for reimbursement.

2 DEPARTMENT OF EMPLOYMENT AND SOCIAL DEVELOPMENT

The Department of Employment and Social Development provides a range of programs and services that help Canadians throughout their lives, including support for seniors, unemployed workers and post-secondary students.

Committee Observations

Expenditures for the Canada Loans and Grants for Students and Apprentices Program are increasing, due to a policy change aimed at increasing grants and reducing student loans.

Our committee believes that it is important for Canadian students to have access to financial support for their post-secondary education. Our committee expects that, as part of its new policy, the Department of Employment and Social Development to ensure:

- That the funds reach the targeted clientele;
- That ongoing efforts are pursued so that the Canada Loans for Students Program is managed efficiently.

Our committee is concerned that the Canada Summer Jobs Program did not achieve its results in 2016.

2.1 Estimates Overview

In the *Main Estimates 2017–18*, the Department of Employment and Social Development is requesting total voted authorities of \$2.4 billion, which is an increase of \$122.9 million from the total voted authorities of the *Main Estimates 2016–17*.

2.2 Canada Student Loans and Grants for Students and Apprentices Program

2.2.1 Student Debts Write-Off

Some committee members pointed out that the Department plans to write off 32,554 student loans (worth a total of \$178.4 million in principal and interest) by the end of fiscal year 2016–2017.¹ In 2015–2016, the Department wrote off 33,967 debts (worth \$176 million),² and in 2014–2015, it wrote off 63,540 debts (worth \$294.6 million).³ The Senators questioned the witnesses about the management and audit framework for this program.

In a written response that they forwarded to our committee following their testimony, the Department's officials said that the vast majority of student loans are repaid. The student loan default rate has dropped

¹ Treasury Board of Canada Secretariat, [Supplementary Estimates \(C\), 2016–17](#), p. I-5.

² Treasury Board of Canada Secretariat, [Supplementary Estimates \(C\), 2015–16](#), p. I-5.

³ Treasury Board of Canada Secretariat, [Supplementary Estimates \(C\), 2014–15](#), p. I-5.

– from 28% in 2003–2004 to 11% for borrowers who began repaying their loans in 2013–2014. Our committee has learned that there are no key performance indicators to monitor collection in all areas of the Department's mandate, with the exception of the Canada Loans and Grants for Students and Apprentices Program. The analysis of write-off data by the internal audit demonstrated that the most significant root cause for write-offs was time limitation, i.e. statute barred for further legal action. Our committee suggests that the Government consider extending the time limitation for such programs.

They also added that there had been few write-offs before 2011–2012. Furthermore, write-offs are not approved by Parliament each year and do not always cover a 12-month account period. For example, in 2014–2015, \$287.4 million in loans were written off, which represented 25 months of accounts and 1.6% of the portfolio then valued at \$16.9 billion. Statistics provided by the Department also show that just under 1% of the portfolio, which reached \$18.4 billion in 2015–2016 and \$19.2 billion in 2016–2017, were written off annually.

2.2.2 Canada Student Loans and Grants for Students and Apprentices Program – Policy Change

For fiscal year 2017–2018, the statutory expenditures associated with the Canada Loans and Grants for Students and Apprentices Program would increase by \$461.5 million owing to a policy change in Budget 2016. The main reason for the increase would be a rise in the number of student grants and a decrease in the number of loans. The Department works with the provinces to assess the needs of students, and the federal government covers 60% of the program costs while the provinces cover 40%. The Department conducts outreach campaigns to ensure the funds reach the targeted clientele. The program benefits approximately 1.5 million students from low- to middle-income families each year.

2.3 Old Age Security Program

Some committee members took an interest in the impact population aging will have on the cost of the Old Age Security program. The Departmental officials explained that, when the number of beneficiaries increases, statutory expenditures are adjusted accordingly. The number of beneficiaries is currently about 6 million people, and the Department has seen that figure grow by 33% over the past 10 years. It estimates that the number of beneficiaries will increase by another 40% by 2026.

2.4 Canada Summer Jobs Program

Some committee members asked the witnesses whether the Department was reviewing the impact of the increase in funding for the Canada Summer Jobs program provided in Budget 2016. The program targets jobs in the non-profit sector, the public sector and small businesses. The witnesses reported that the objective of doubling the number of summer jobs, in an effort to address the high unemployment rate for students, was not entirely achieved.

3 DEPARTMENT OF NATIONAL DEFENCE

The Department of National Defence defends Canada and North America, and contributes to international peace and security. Because the Defence Policy Review is still underway, these estimates do not account for the outcome of that review.

Committee Observations

Our committee recommends that the Department of National Defence elaborate its action plan so as to ensure the Reserve Force has the resources it needs, particularly to achieve the target of 28,500 members by 2019.

3.1 Estimates Overview

In the *Main Estimates 2017–18*, the Department of National Defence is requesting total voted authorities of \$17.5 billion, which is an increase of \$143.4 million from the total voted authorities of the *Main Estimates 2016–17*.

3.2 Decrease in Capital Expenditures

These estimates show that the Department's capital expenditures would decrease by 8.6% (\$293.2 million). The Departmental officials said this decrease is due to the Department's commitment to be more strategic in its estimates in order to reduce the amount of lapsing funds. The Department has made its contingency forecasting process more rigorous. Typical contingencies on a project vary with the type of project and the risks involved, but average from 10% to 15%. Witnesses explained that this rationalization of expenditures was not limited to the Department's capital expenditures.

3.3 Reserve Force

Some senators noted that a report of the Office of the Auditor General of Canada on the Canadian Army Reserve released last spring was rather negative, and they asked the witnesses whether the Department was planning additional funding to address the problems identified in the report. The Department's officials said that no additional funding is being planned for this specific issue at this time. The Department is evaluating how to best allocate funding to the Reserve Force and intends to develop an action plan.

Other senators also mentioned that, in the past, the Regular Force could transfer funds that were allocated to the Reserve Force. The Department's officials confirmed that this practice was not appropriate, and that a new directive was issued last year to establish stricter controls. All requests aimed at transferring funds from the reserve fund in 2016–2017 have been denied.

4 GLOBAL AFFAIRS CANADA⁴ (DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT)

The Department of Foreign Affairs, Trade and Development is responsible for conducting Canada's international relations, which includes international development, consular services for Canadians and the Government of Canada's global network of missions abroad.

Committee Observations

Consistent with its new international assistance policy and with the new international aid funding framework, the Department is seeking over \$3.5 billion for international development and poverty reduction, which is a 13% increase of \$407.8 million compared to the previous year.

In the past, our committee has found it difficult to assess the performance of the Department's international assistance programs. Thus, our committee encourages the Department to

- Develop and present clear and succinct information that links its program results to its international aid program expenditures.

4.1 Estimates Overview

In the *Main Estimates 2017–18*, the Department of Foreign Affairs, Trade and Development is requesting total voted authorities of \$5.6 billion, which is an increase of \$470.8 million from the total voted authorities of the *Main Estimates 2016–17*.

4.2 International Development and Poverty Reduction

The Department is forecasting over \$3.5 billion in spending on international development and poverty reduction in the *Main Estimates 2017–18*, which is an increase of \$407.8 million, or 13%, compared with the previous year. This increase is mainly due to the following two expenditure items:

- an increase of \$239.6 million to address the crises in Iraq and Syria, and reduce their impact on the region; and
- an increase of \$213.9 million for the Peace and Stabilization Operations Program. Within this program, Canada is working with its allies, its partners and the United Nations to stop violence, provide security, and create space for dialogue and conflict resolution.

Witnesses explained that over the past year, the Department has been working at refocusing its international aid programs following consultations with over 15,000 partners and individuals in more than 65 countries. The new policy and the new Canadian international aid funding framework will focus on protecting and promoting human dignity of the poorest and most vulnerable people. Women and young girls will be at the heart of this new approach.

For example, the Department is implementing this new approach as part of Canada's commitment to allocate \$1.1 billion over three years to help those affected by the crises in Iraq and Syria. This funding

⁴ Although the Department is now called "Global Affairs," its legal name for the purposes of appropriation Acts remains the "Department of Foreign Affairs, Trade and Development."

will support Canada's response to the crises in the Middle East as well as the needs of those affected by the conflicts in Iraq, Syria, Jordan and Lebanon. Help includes military resources who will train, advise and assist Iraqi security forces in their efforts to weaken and defeat Daesh; stabilization, humanitarian and development aid in Iraq and in the region to address short-term needs and support resiliency, stability and prosperity in the long term; as well as diplomatic engagement.

4.3 Consular Services and Emergency Management

Our committee took an interest in the consular services and emergency assistance provided to Canadians in foreign countries, for which the Department is requesting \$54.5 million in the *Main Estimates 2017–18*, which represents an increase of \$2.5 million compared to the previous year.

The Departmental officials stated that, a decade ago, about 30 million Canadians were travelling abroad each year; this figure is now 54 million. The number of travellers and the countries they visited affect the allocation of resources to consular services, as less stable countries require more resources.

The officials stated that the Department has the capacity to respond quickly and to deploy resources when necessary. When major events occur, such as an emergency evacuation, the Standing Rapid Deployment Team, which has consular and security expertise, can be deployed to assist Canadians. This service is provided to evacuees at no charge. In other circumstances, the Department has a specific fund that provides emergency financial assistance to Canadians in distress, which must be repaid.

4.4 Loans to Other Countries

In response to questions from our committee, the Department's officials reported that the Government of Canada no longer makes loans to other countries. However, an outstanding balance of some \$557 million is still on the government's financial statements for previous loans.

Our committee asked about the federal government's recent forgiveness of \$18 million in debt owed by the Republic of Cuba.⁵ The Departmental officials explained that Canada made these loans in 1975. They said that the Government of Cuba made payments between 1982 and 1986, but none thereafter because of the country's economic difficulties.

The Department's officials agreed to provide a list of all of Canada's loans to other countries that still have an outstanding balance.

⁵ Treasury Board of Canada Secretariat, [Supplementary Estimates \(C\), 2016–17](#), p. II-24.

5 DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs is responsible for designing and delivering services to veterans who have risked their health and well-being to protect the safety and security of Canadians.

Committee Observations

Our committee supports the mandate of the Department of Veterans Affairs and believes it must ensure that veterans receive the following in recognition of their important contribution to Canada:

- the compensation and benefits to which they are entitled; and
- timely access to the support services they need.

To ensure that our committee can fulfill its role of examining the government's spending plans in a timely manner, our committee expects:

- Departments and organizations appearing before it to be represented not only by senior financial officers, but also by managers with the knowledge required to explain their organization's work and objectives; and
- questions from committee members requiring a written response from Departments and organizations to be answered in a timely manner.

5.1 Estimates Overview

In the *Main Estimates 2017–18*, the Department of Veterans Affairs is requesting total voted authorities of \$4.7 billion, which is an increase of \$1.1 billion (or 29.6%) over the amount sought in the *Main Estimates 2016–17*.

5.2 Disability Awards and Allowances for Veterans

The Departmental officials explained that the forecast increase in its expenditures is mainly due to the planned increase in funding for disability awards and allowances for veterans, which have risen from \$696 million in 2016–2017 to nearly \$1.5 billion in the *Main Estimates 2017–18*, which is an increase of \$796 million (114%).

This change is the result of an initiative announced in Budget 2016 to ensure the long-term financial security of ill and injured veterans, which includes an increase in the maximum Disability Award for veterans from \$310,378 to \$360,000, indexed to inflation.⁶ According to the Department's officials, an additional payment will be made to any veteran who has ever received a disability award or allowance so that they can benefit from the new maximum amount.⁷

⁶ The maximum Disability Award is [\\$310,378 until 1 April 2017](#).

⁷ The increase to the Disability Award and Death Benefit will also enable Canadian Armed Forces members, veterans and survivors who have already received a Disability Award under the New Veterans Charter to benefit from the new rate and receive a supplementary payment.

5.3 Earnings Loss and Supplementary Retirement Benefit

The forecast expenditures for this program in the Main Estimates 2017–18 have more than doubled compared with those of the previous year, increasing from \$260.8 million to \$551.4 million. This change is also the result of a commitment announced in Budget 2016 aimed, among other things, at increasing the Earnings Loss Benefit from 75%⁸ to 90% of a veteran's gross pre-release military salary and at enhancing the Permanent Impairment Allowance⁹. The Departmental officials reported that increased demand from veterans is also responsible for higher expenditures under this program.

5.4 Multiple Unanswered Questions

The Department's officials were unable to answer a number of questions during their appearance. The officials agreed to provide written responses at a later date.

To ensure our committee can perform its role of examining the government's spending plans in a timely manner, our committee expects Departments and organizations appearing before it to be represented not only by senior financial officers, but also by officials with the skills and knowledge required to explain their organization's work and objectives.

6 DEPARTMENT OF FINANCE

The Department of Finance manages the federal government's major transfers to the provinces and territories, such as the Canada Health Transfer and the Canada Social Transfer.

Committee Observations

Our committee is of the opinion that the Department of Finance needs to do the following:

- continue to improve the reconciliation of the federal government's financial plans and economic forecasts with the estimates; and
- ensure demographic trends are better integrated into the benefit formulas of transfer payment programs.

6.1 Estimates Overview

In the *Main Estimates 2017–18*, the Department of Finance is requesting total voted authorities of \$89.3 million, which is a decrease of \$1.5 million compared with the amount sought in the *Main Estimates 2016–17*.

⁸ [Department of Veterans Affairs](#): Until 1 October 2016, the Earnings Loss Benefit was valued at 75% of a veteran's monthly military salary at release, or a minimum of \$42,426, whichever was greater.

⁹ [Department of Veterans Affairs](#): The Permanent Impairment Allowance is a taxable monthly benefit that is payable for life to veterans whose career options have been limited because of a service-related illness or injury.

6.2 Economic Forecasts and Estimates

Committee members asked the Department of Finance officials about recent changes in the federal government's finances, particularly forecasts of the budget deficit, transfer payments, federal public debt charges and any public sector pension plan liabilities, particularly in light of potential interest rate increases. Witnesses told our committee that the *Main Estimates 2017–18* reflect the forecasts and assumptions made for the *Fall Economic Statement 2016* and that all subsequent changes to the relevant financial and economic variables, including interest rates, will be reflected in the supplementary estimates.¹⁰

6.3 Pension Plan for the Public Service of Canada

Our committee was concerned about the impact of interest rates on the liabilities and solvency of the federal public service pension plan. Witnesses assured our committee that, since April 1st, 2000, the defined-benefit pension plan has been fully capitalized and that the current plan has enough assets to fund future benefits.¹¹ According to the latest actuarial report of the Office of the Superintendent of Financial Institutions Canada on the Pension Plan for the Public Service of Canada, cash flows are presumptively positive until the year 2030.¹²

6.4 Aging Population and Public Finances

6.4.1 Equalization

Senators also discussed the impact population aging will have on public finances, especially as regards to transfer payments such as equalization. The latter would increase by \$373.2 million for a total of \$18.25 billion in 2017–2018.

The witnesses assured our committee that the equalization legislation provides for a complete renewal of the program every five years and that this process takes into account a whole host of questions and issues, including demographic trends of the overall population. The next review of the equalization payments program is due to occur in fiscal year 2019–2020.

6.4.2 Canada Health Transfer

The Canada Health Transfer would reach \$37.2 billion in 2017-18, which is an increase of \$1.1 billion (or 3%). As the population is aging, members of our committee are concerned that the growing demand for health and income support services may place an even greater burden on the public finances of the federal, provincial and territorial governments, thus displacing other important budgetary priorities and draining the available financial resources.

¹⁰ Department of Finance Canada, [Fall Economic Statement 2016](#).

¹¹ Beginning on 1 April 2000, employee and employer contributions to the Pension Plan for the Public Service of Canada are no longer credited to the Public Service Superannuation Account. Instead, they are credited to the Public Service Pension Fund, and the total amount of contributions net of benefits paid and administrative expenses is transferred to the Public Sector Pension Investment Board (PSPIB) and invested in the financial markets.

¹² Office of the Superintendent of Financial Institutions Canada, [Actuarial Report on the Pension Plan for the Public Service of Canada \(as of 31 March 2014\)](#), p. 79.

Department of Finance officials indicated that the projected 3% increase in the *Main Estimates 2017–2018* for the Canada Health Transfer does not take into account recent health funding agreements. These funding mechanisms will be included in future estimates.

6.5 Public Debt Charges

In fiscal year 2017–2018, the Department forecasts that the public debt charges will be approximately \$21.5 billion, a decrease of \$1.3 billion (5.7%) compared with the *Main Estimates 2016–17*. This reduction is due to a decline in interest rate forecasts and to a decrease in the average Government of Canada long-term bond rate. The public debt is sensitive to fluctuations of rates and, if they decline, interest expenses also decline. The Department's forecasts are currently based on the *Fall Economic Update 2016*, and those will be updated in the next supplementary estimates to account for the information provided in Budget 2017, presented on March 22, 2017.

7 TREASURY BOARD SECRETARIAT

The Treasury Board Secretariat is responsible for preparing the estimates documents, ideally in a form that enables and encourages parliamentary review of government spending.

Committee Observations

Our committee is aware of the Treasury Board Secretariat's efforts to increase the transparency and effectiveness of the budget process. Our committee encourages the secretariat to continue its efforts and to report developments respecting budget process reform to our committee on a regular basis.

7.1 Estimates Overview

In the *Main Estimates 2017–18*, the Treasury Board Secretariat is requesting total voted authorities of \$6.2 billion, which is an increase of \$74.9 million compared with the amount sought in the *Main Estimates 2016–17*.

7.2 Budget Process Reform

The government is proposing reforms to make the budget process more open and transparent over the coming years. For example, the Treasury Board Secretariat is looking to reconcile the government's various accounting practices in order to make it easier to review and compare the estimates documents and the public accounts. The President of the Treasury Board is also seeking to better align the estimates and the budget prepared by the Department of Finance of Canada. The Secretariat's officials explained that the House of Commons must address some issues before an implementation date for these reforms can be set.

7.3 Transfer Payments

In these estimates, transfer payments to other levels of government increased by almost \$2 billion and transfer payments to persons (Elderly Benefits, Children's Benefits and Employment Insurance) increased by \$8 billion. The officials explained that these payments depend on provincial demographic

and economic projections. Aging population and government infrastructure commitments would also play a role in the rise in transfer payments.

APPENDIX 1 – ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Wednesday, March 1, 2017:

The Honourable Senator Bellemare moved, seconded by the Honourable Senator Petitclerc:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Main Estimates for the fiscal year ending March 31, 2018, with the exception of Library of Parliament Vote 1; and that, for the purpose of this study, the committee have the power to sit, even though the Senate may then be sitting, and that rule 12-18(1) be suspended in relation thereto.

The question being put on the motion, it was adopted.

Clerk of the Senate

Charles Robert

APPENDIX 2 – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Department of Employment and Social Development

Alexis Conrad, Assistant Deputy Minister, Learning Branch

Cliff Groen, Assistant Deputy Minister, Benefits Delivery Services, Transformation and Integrated Services Management Branch

Kathryn McDade, Senior Assistant Deputy Minister, Income Security and Social Development Branch

Doug Murphy, Director General of Social Policy, Strategic and Service Policy Branch

Mark Perlman, Chief Financial Officer, Chief Financial Officer Branch

Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch

Jason Won, Director General, Financial Management and Advisory Services, and Deputy Chief Financial Officer, Chief Financial Officer Branch

(2017-03-08)

Department of Finance

Leah Anderson, Assistant Deputy Minister, Financial Sector Policy Branch

Christopher Meyers, Chief Financial Officer, Corporate Services Branch

Glenn Purves, General Director, Federal-Provincial Relations and Social Policy Branch

Bradley Recker, Director, Fiscal Policy Division, Economic and Fiscal Policy Branch

(2017-03-07)

Global Affairs Canada

Shirley Carruthers, Acting Director General, Financial Resource Planning and Management Bureau

Pamela O'Donnell, Acting Director General, Peace and Stabilization Operations Program

Arun Thangaraj, Assistant Deputy Minister and Chief Financial Officer

(2017-03-08)

Department of National Defence

André Fillion, Chief of Staff (Materiel)

Brigadier-General Werner Liedtke, Deputy Chief Financial Officer, Director General, Financial Management

Colonel Sylvain Ménard, Director, Defence Programme Coordination

(2017-03-08)

Department of Veterans Affairs

Faith McIntyre, Director General, Policy and Research Division

Maureen Sinnott, Director General, Finance

(2017-03-07)

Office of Infrastructure of Canada

Darlene Boileau, Assistant Deputy Minister, Corporate Services, and Chief Financial Officer

Marc Fortin, Assistant Deputy Minister, Program Operations

(2017-03-07)

Treasury Board Secretariat

Grace Chenette, Executive Director, Corporate Services

Brian Pagan, Assistant Secretary, Expenditure Management Sector

Marcia Santiago, Executive Director, Expenditure Management Sector

(2017-03-07)