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# Parliamentary Review of Estimates: Initiatives and Prospects

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by Jack Stilborn

*There appears to be a strong consensus, if not unanimity, among parliamentarians and parliamentary observers about the need for Parliament and its committees to become more effective in reviewing government spending. Few recent commentators on Parliament have failed to express this view. A great deal less has been said about specifically what parliamentary committees and individual parliamentarians need to do in order to become more effective. This article reviews initiatives recently taken by parliamentary committees and the Library of Parliament in order to strengthen effectiveness, and the emerging vision they reflect. It also outlines prospective initiatives that promise to reinforce progress, as well as challenges that remain to be addressed.*

The principle that Parliament, as the representative of citizens and taxpayers, must grant taxes and approve the spending of the resulting revenues is part of the constitutional legacy received by Canada from the United Kingdom, and dates back to medieval times.<sup>1</sup> While it was of limited importance as long as absolute monarchs successfully funded the court, clergy and military from their personal revenues, it became progressively more significant as taxpayers were required to compensate regularly for shortfalls of royal revenues.

The principle of parliamentary consent to taxation and approval of spending is relatively clear, as is its central importance as a basis for the power of Parliament. However, the arrangements developed to achieve the principle in practice have varied widely over seven hundred years of institutional evolution, and continue to evolve. In Canada, as recently as a hundred years ago, the looseness of internal controls on government spending posed major challenges for even the possibility of parliamen-

tary scrutiny and meaningful consent. For example, individual departments engaged in a variety of practices essentially beyond Parliament's control, including borrowing from commercial banks when annual budgets ran out and frequent reliance on Governor General's Warrants (which were reported to Parliament only after the fact). Moreover, the number of sets of estimates presented to Parliament began to multiply in the 1890s to four, or even five or six, in each fiscal year. In the sessions of both 1904 and 1910-1911, seven separate sets of estimates were presented.<sup>2</sup>

The limited size and scope of government in the early years enabled parliamentarians to scrutinize and debate estimates in relatively great detail. However, the rapid growth of government after World War I made detailed scrutiny progressively more difficult. By 1950, a parliamentary process that remained in many ways essentially unchanged from that of 1867 was resulting in decisions about government spending levels that were 300 times higher than those of the 1860s, relating to a vastly more complex structure of programs and activities.

Dissatisfaction among parliamentarians with the form and substance of Parliament's role concerning the estimates dates back virtually to Confederation. Starting in the 1920s, there were a series of reforms. These included restrictions on debate to enhance the focus on substance; changes to the format of the information supplied to Par-

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liament to make it more understandable to Members; expansion of the content of the estimates; and experiments with the use of smaller committees to examine some types of estimates. However, the changes did little to reduce concerns about the effectiveness of Parliament in its fundamental scrutiny and approval role concerning government spending.

Major reform came in 1968, with the adoption of new procedures under which all estimates were referred to standing committees, and (in the case of main estimates) either reported or deemed reported back to the House by 31 May. These reforms were intended to improve the substantive review of government spending, in committee, while streamlining debate on the estimates within the House. They marked the beginning of a phase of committee reform that continued with important expansions of committee powers in the 1980s, directed to enhancing the role of the backbench Member of Parliament and the broader influence of Parliament in both policy development and financial management.

Starting in 1996, the focus of reform has broadened to include attempts to improve the quality of the financial information available to Parliament. The Improved Reporting to Parliament Project complements earlier changes to the powers of committees with key reforms to the information Parliament receives. An effort is being made to refocus reporting away from primarily quantitative outputs (cases heard, brochures issued, etc.) to higher-level outcomes that show how departmental activities make a difference to citizens. Second, the departmental reports previously released as Part III of the main estimates have been disaggregated into two reports:

- a departmental performance report (DPR) released in November of each year, which outlines the department's goals and objectives, and progress against them; and
- a departmental Report on Plans and Priorities (RPP) released in late February or March, after the main estimates are tabled, which outlines the department's future goals and action plan for achieving them.

Thus far, however, the verdict on the practical success of recent reforms has been mixed at best, among both scholars and parliamentarians.<sup>3</sup> Successive committee reports have expressed continuing dissatisfaction on the part of Members of Parliament themselves:

- The Standing Committee on Procedure and House Affairs concluded in 1998 that "... the vast sums of money spent by government are subjected to only perfunctory parliamentary scrutiny," and made 52 recommendations for wide-ranging change (Catterall-Williams Report).<sup>4</sup>
- A follow-up report in 2000 by the same Committee continued to call for changes, notably improvements

to information and enhanced staff support (Szabo Report).<sup>5</sup>

- In 2001, the Special Committee on the Modernization and Improvement of the Procedures of the House of Commons proposed the consideration of two sets of estimates by Committee of the Whole as a partial remedy for what it saw as long-standing deficiencies in the handling of estimates (Kilger Report).<sup>6</sup>
- In the 37th Parliament, a 2003 report of the Standing Committee on Government Operations and Estimates concluded that, despite progress in recent years, most parliamentary committees continued to give departmental estimates relatively cursory attention, and that strengthened scrutiny was urgently needed (Valeri Report).<sup>7</sup> While it called for improvements to the information provided to Parliament, more extensive attention was given to the need for Parliament to make better use of information already available.

Parliament's effectiveness and potential within the budgetary process also received detailed attention in a 2002 study sponsored by the Institute for Research on Public Policy.<sup>8</sup> The authors argue that much remains to be done, that the role of parliamentary committees in reviewing estimates remains underdeveloped, and that committee assessments of the performance of programs in terms of results achieved is especially weak.

More recently, the Phase II Report of the Gomery Commission recommended a substantial increase in funding for parliamentary committees, as a response to long-standing concerns about the effectiveness of committees in examining government programs and spending estimates.<sup>9</sup> In this Report, Mr. Justice Gomery argues that strengthened staff support for committees is a key ingredient for improved effectiveness. MP's sit on two or three committees, and juggle committee work and a multitude of competing demands, many of which command more public attention and provide a more immediate sense of accomplishment. They do not have enough time for this work, and the estimates themselves are often difficult to relate to concrete programs (for example, the Sponsorship Program was never identified as a distinct activity in the estimates that applied to it). The Commission thus commends an existing government commitment to provide committees with increased resources for staff. Two forms this staff support could take are identified: (1) expanded Library of Parliament research staff for committees (the recent hiring of three analysts with estimates-related experience is noted as a first step) and (2) increased committee resources to hire experts to support investigations into either programs or management and accountability issues.

These findings and recommendations reflect the reality that the substance of committee consideration of the estimates has not changed significantly, despite the re-

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forms undertaken over the past three decades. Where committees devote time to the estimates at all, their efforts (with exceptions) have continued to reflect patterns that were well established before the recent reforms took place. Meetings on estimates during the previous Parliament continued to involve wide-ranging and relatively partisan exchanges over political priorities and the policy directions of departments, minimal attention to the substance of the estimates, scattered and unsystematic questioning reflecting the rapid alternation of questioning among members and, with certain notable exceptions, predictable votes in support of the estimates as proposed by the Government.

Parliament exercises the “power of the purse” by reviewing the annual Main Estimates for government spending (normally tabled in the spring of each year), along with (normally) two sets of Supplementary Estimates. These are referred to standing committees for detailed scrutiny. Committees have the authority to do one of the following:

- Remain silent, in which case the House proceeds to consider the estimates as proposed by the President of the Treasury Board;
- Report the estimates without amendment, in which case the House proceeds as above;
- Adopt reductions to estimates, or reject them, in which case the House considers these changes and either adopts changed estimates or restores the initial amounts.

These basic “rules of the game” impose few restrictions on what Parliament and its committees can do in practice, leaving considerable scope for improvements to effectiveness.

### **Better Information**

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As noted above, in addition to the departmental spending estimates themselves, parliamentary committees receive two explanatory reports intended to provide a basis for scrutiny. These are the Report on Plans and Priorities (referred to committees to support consideration of proposed spending in the Main Estimates) and Departmental Performance Reports (which provide committees with information on results achieved, each fall). While these reports are the result of a lengthy evolutionary development, many parliamentarians continue to express dissatisfaction with information sometimes seen as excessively bureaucratic, and especially vague about areas where performance has fallen short.

Treasury Board Secretariat provides departments with detailed guidance concerning best practices in reporting, and also evaluates departmental reporting and provides

departments with feedback. However, departments have limited incentives to respond, unless parliamentarians themselves make it clear that Treasury Board Secretariat requirements are firmly based on parliamentary needs. While parliamentary reports on the estimates process have consistently called for improvements in the accessibility, clarity and relevance of information, individual committees have yet to exploit their powers to foster improvements in the information provided by departments assigned to them. In addition to their capacity to refuse or reduce an estimate in the event that the information required to assess it is not forthcoming, committees could exercise their general power to report to Parliament for the purpose of providing departments with feedback on their reports, and specific recommendations for improvement.

### **The Importance of Departmental Reports**

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The immediate importance of the departmental reports is that they provide an information base for parliamentarians to use in evaluating departmental estimates. Their importance does not stop here, however. The performance and planning reports also provide a potential focus for committee assessments of departmental programs, and for reports outside the formal estimates process on program performance, value for money, and future spending plans. These reports are not constrained by the principle of the royal recommendation, which prevents committees from increasing estimates, or re-allocating money from one Vote to another within the formal estimates process. Like other reports reflecting the general investigative mandate of committees, they are subject to no procedural constraint upon the content of recommendations, because the recommendations are merely proposals to the minister and may or may not be incorporated within the government’s policy agenda. As a result, reports on program performance or future spending plans provide a means by which committees may propose increases in spending or re-allocations of existing or future resources. If the government were to accept such recommendations, they would then be reflected in the estimates for a future year.

Committee reports on program performance or future spending not only get around the limitations of the formal estimates process, they also provide a way of addressing a major political barrier to effective committee work on estimates. By the time the departmental estimates arrive on the floor of the House of Commons, they reflect detailed planning on the part of departmental officials, have been accepted by ministers as the government’s program, and have the full weight of the government behind them. As a result, changes are seen



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as a threat to the credibility of the government, and governments are extremely reluctant to accept them. This reluctance is typically reflected at the committee level, in the predictable support by government members for the estimates as presented by the government and, under majority government conditions at least, predictable committee approval of estimates without changes.

Reports outside the formal estimates process, focusing on spending plans in future years, avoid these practical limitations on committee activity. Departmental officials are likely to be more receptive to recommendations that do not threaten detailed near-term planning, and this greater receptivity is likely to be reflected in advice to ministers. Ministers, for their part, are not exposed to political embarrassment by such recommendations, and may thus be more open to their consideration. These circumstances, in turn, increase the likelihood that committee members of both government and opposition political parties will be able to find common ground as they engage substantive issues raised by departmental estimates. Reports outside the formal estimates process, focusing on recommendations that apply to future years, thus provide committees with a potentially important form of influence on departmental estimates.

### **Balancing Scope and Depth**

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The experience of committees over the years suggests that departments are often too large and complex to be examined in detail. Detailed scrutiny of the whole range of programs offered by a large department would require a committee to do nothing else. At the same time, committees are likely to wish to subject all organizations in their mandate to at least a minimal level of scrutiny. Selecting one program for continuing scrutiny while ignoring the others would create a danger that important problems could go undetected, and would also leave a committee with no basis for approving or rejecting individual Votes in the estimates (other than parts of a Vote relating to any program that may have received concentrated attention).

Committees may therefore need to consider a two-track approach, involving:

- Periodic (at least annual) accountability sessions with ministers, dealing with both their departments and portfolio responsibilities; AND
- Selecting a program or activity for detailed scrutiny and possibly multi-year follow-up attention. This could provide a basis for recommending changes to future year spending plans before the government has enshrined them in the annual estimates.

These approaches complement one another. General accountability sessions with ministers can help to iden-

tify programs or activities that a committee may wish to explore in detail. Recommendations for changes to future spending plans could be followed up at annual accountability sessions with ministers. Detailed program studies can also provide a strong basis for considering (and possibly amending) estimates that come before the committee.

### **Detailed Scrutiny – What Does it Involve?**

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In order to undertake detailed scrutiny, committees need to select a departmental program or initiative that is sufficiently small to be explored thoroughly within the time available. Although information and advice from committee research staff can help, the decision to invest significant committee time in a specific departmental program is necessarily based on political priorities. The challenge that committees face in this task is similar to the broader challenge of agenda-setting, in which the temptation to avoid conflict by committing to multiple (and sometimes simultaneous) studies frequently imposes serious limits on committee effectiveness, and limits the credibility of parliamentary investigations among specialized stakeholders and policy influencers. Committees need to find ways to avoid this temptation, perhaps by agreeing to a succession of specialized studies that would take place over the probable life of the committee, or perhaps by agreeing at the outset of agenda-setting on the need to select only one study as a focus.

Many possible approaches to detailed scrutiny were identified in *Meaningful Scrutiny*, the 2003 report of the Government Operations and Estimates Committee mentioned above. Possible approaches include:

- Invite departmental officials to provide informal briefings on a program;
- Use committee research staff to work with departmental officials to build a specialized information base;
- Interview Auditor General officials who may have relevant files;
- Divide the labor among committee members, to minimize duplication (individual issues, information sources, etc);
- Invite program clients or stakeholder groups to comment on a program from the users' point of view; and
- Invite academics and other qualified experts to provide information (following the standard approach used by committees for policy studies).

In recent years, several House of Commons committees have attempted to use a number of these approaches, although committee workloads have sometimes created scheduling difficulties for even modest attempts to move

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beyond the traditional single meeting at which the minister defends departmental estimates. This suggests a steadily increasing interest in innovation among committee chairpersons and members.

### Recent Library of Parliament Initiatives

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In addition to corporate support such as seminars for parliamentarians and their staffs, teams of analysts assigned to parliamentary committees by the Library's Parliamentary Information and Research Service (PIRS) currently provide research and analytical support to committees involved in work on estimates. Among the key types of support available are:

- Briefings or research (for committees or individual members) on:
- estimates (including where the numbers come from, what they mean),
- the estimates process,
- individual programs or activities, and
- key information sources;
- Background analysis and advice on individual estimates, and programs that might warrant detailed attention;
- Study plans (including suggested witnesses) designed to ensure that committees have the needed knowledge by the time estimates are referred to them; and
- Briefing notes containing analysis and questions to support meetings on estimates.

In 2004, responding to developments outlined in this article, the Library of Parliament sought and received supplementary funding to hire 3 analysts with skill sets that could contribute to strengthened PIRS support for committees doing estimates-related program studies. The three analysts hired brought experience at Finance Canada, Treasury Board Secretariat and the Office of the Auditor General to the PIRS. They became members of an internal working group created for the purpose of broadly enhancing the capacity to support estimates work of the teams of PIRS analysts assigned to committees of the Senate and House of Commons.

The working group, which christened itself the "estimates cluster," consists of the three estimates specialists as well as other analysts who work for parliamentary committees distinctively mandated concerning issues of program performance and government spending. These are the Standing Senate Committee on National Finance, the House of Commons Standing Committee on Government Operations and Estimates, and the House of Commons Standing Committee on Public Accounts.

A central function of the cluster is facilitating the flexible assignment of analysts with the required skill sets to committees undertaking estimates-related studies. As

well, cluster members provide information on best practices, reference materials and direct advice to colleagues serving on other committee teams. Committees thus benefit from estimates-related skill sets and knowledge as required, combined with the specialized knowledge possessed by the regular committee teams, relating to departmental programs within the committee mandate and policy and operational issues with implications for performance, value-for-money and spending. Finally, cluster members have found that regular information exchanges, and best practices discussions, are helpful in their own work for committees. The cluster thus capitalizes on an inherent strength of the PIRS, the capacity to deploy multi-disciplinary support and professional synergies in the service of Parliament and its committees.

### Immediate Prospects

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The current parliamentary environment contains both challenges and opportunities relating to the further development of Parliament's effectiveness in scrutinizing government programs and examining spending proposals.

So far, the existence of government minorities in the House of Commons appears to be a mixed blessing for effectiveness. On the negative side, the immediate possibility of an election is virtually a defining feature of minority governments. This fosters a focus on short term tactical behavior in Parliament, rather than the medium-to-long term systematic study of programs and performance needed as a basis for constructive inputs by Parliament on government spending. On the positive side, the fact that government members are a minority in Parliament (and on committees) substantially diminishes a major political barrier that normally precludes parliamentary impact on them (effective or otherwise). Parliament is in a position to affect government spending plans directly, as well as by persuasion in the longer term, if that is its will.

With respect to prospective staff support, Bill C-2 (*The Accountability Act*) has been passed by the House of Commons and is being examined by the Standing Senate Committee on Legal and Constitutional Affairs as this is written (October 2006). The bill provides that a Parliamentary Budget Officer will be established within the Library of Parliament, with a wide-ranging mandate to support Parliament in its work relating to various dimensions of government budgeting and spending (and cost implications of private members' bills and committee proposals). With respect to Parliament's work on spending estimates, the prospective Parliamentary Budget Officer will be mandated to provide estimates-related analysis to the Senate and the House of Commons

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and, on request, to any committee with a mandate to study estimates. Although the concrete impact of the bill will depend, in part, on the resources that are placed at the disposal of this new official, the legislation prospectively provides for a considerable enhancement of the technical support available to Parliament for its work on estimates.

### Concluding Remarks

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In recent years, the issue of Parliament's effectiveness in its roles relating to revenue raising and spending has received heightened attention, several committees have attempted innovative approaches to their work, and staff support for the estimates work of parliamentary committees has been modestly enhanced.

Progress to date has had minimal impact on the problem of political incentives, however, which remains a major challenge in this area. Although there is always the possibility that scandal or pointless activity can be identified and remedied, most work on estimates will remain unglamorous. Administrative issues and incremental progress do not attract the media spotlight reserved for more dramatic issues of ethics or principle, are of limited comprehensibility or interest to voters, and therefore offer limited incentives for investments of time by parliamentarians. Furthermore, for committee members on the government side, committee actions that transcend these limitations are almost certain to result in the embarrassment of ministers, making involvement in them unhelpful with respect to career progress within the government ranks.

The possibility of influence on estimates in future years, encouraged by the current structure of reporting to Parliament, does not really address this problem. On the contrary, it is the product of a bureaucratic-rational conception of the role of Parliament that remains largely detached from the real world of politics. Although current Treasury Board Secretariat guidance calls for reports to indicate how departmental plans respond to parliamentary recommendations, it remains unclear how departments can persuade committees that they are doing something they were not planning to do in any case, or that ministers will be willing to share credit with parliamentary committees for significant changes. Fur-

thermore, a span of months or even years between an investment of effort by a committee and a tangible impact on departmental spending requires a tolerance for delayed gratification, on the part of parliamentarians, that may be unrealistic given the pressures of politics.

These challenges are substantial, but they may not be insurmountable. Many are similar to those existing in other domains, such as the area of policy studies by committees. More broadly, they reflect the general challenge of adapting Parliament to its evolving environment. For this reason, supporters of parliamentary governance have no option but to continue to try to find ways to ensure that Parliament's roles related to revenue-raising and spending do not decline into mere formalities.

### Notes

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1. Robert Marleau and Camille Montpetit, *House of Commons Procedure and Practice*, House of Commons, Ottawa, 2000, Chapter 18, esp. pp. 701 ff.
2. See Norman Ward, *The Public Purse – A Study in Canadian Democracy*, University of Toronto Press, Toronto, 1951, p. 230 ff.
3. For an excellent overview of the evolution of parliamentary procedures relating to the estimates, and assessments by scholars and parliamentarians, see the report of the House of Commons Standing Committee on Procedure and House Affairs, *The Business of Supply: Completing the Circle of Control*, December 1998, pp. 7-16.
4. *Ibid.*, p. 3.
5. House of Commons, Standing Committee on Procedure and House Affairs, *Improved Reporting to Parliament Project – Phase 2: Moving Forward*, June 2000.
6. House of Commons, Special Committee on the Modernization and Improvement of the Procedures of the House of Commons, *Report*, June 2001.
7. House of Commons, Standing Committee on Government Operations and Estimates, *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, September 2003.
8. Peter Dobell and Martin Ulrich, "Parliament's Performance in the Budget Process: A Case Study," *Policy Matters*, Vol. 3, No. 5, Institute for Research on Public Policy, May 2002.
9. Commission of Inquiry Into the Sponsorship Program and Advertising Activities (Gomery Commission), Phase II Report, *Restoring Accountability: Recommendations*, February 2006, p. 61.