

# PRIVY COUNCIL OFFICE

FUTURE-ORIENTED STATEMENT OF OPERATIONS

FOR THE YEARS ENDING MARCH 31, 2015 AND MARCH 31, 2016

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# Privy Council Office

## Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

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### Statement of Management Responsibility

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Departmental management is responsible for the future-oriented statement of operations, including responsibility for the appropriateness of the assumptions on which this statement is prepared. This statement is based on the best information available and assumptions adopted as at September 30, 2014 and reflects the plans described in the *Report on Plans and Priorities*.

This statement has not been subject to an external audit or review but has been shared with the Privy Council Office (PCO) Departmental Audit Committee and it reflects the committee members' comments.

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Janice Charette  
Clerk of the Privy Council and  
Secretary to the Cabinet

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Michelle Doucet  
Assistant Deputy Minister  
Corporate Services Branch  
Chief Financial Officer

Ottawa, Canada

Signed date: \_\_\_\_\_

Ottawa, Canada

Signed date: \_\_\_\_\_

# Privy Council Office

## Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

	Estimated Results 2015	Planned Results 2016
Expenses (Note 6)	(in thousands of dollars)	
Advice and support to the Prime Minister and portfolio ministers	63,861	63,848
Advice and support to Cabinet and Cabinet committees	13,650	13,943
Public service leadership and direction	3,071	4,467
Internal services	65,646	60,354
<b>Total Expenses</b>	<b>146,228</b>	<b>142,612</b>
<b>Revenues</b>		
Miscellaneous	22	24
Internal Services Support	75	75
Revenues earned on behalf of Government	(8)	(7)
<b>Total Revenues</b>	<b>89</b>	<b>92</b>
<b>Net cost operations</b>	<b>146,139</b>	<b>142,520</b>

Information for the year ending March 31, 2015 includes actual amounts from April 1, 2014 to September 30, 2014. The information for the remainder of fiscal year 2014-15 and for fiscal year 2015-16 is based on forecasts.

The accompanying notes form an integral part of this future-oriented statement of operations.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **1. Authority and Objectives**

PCO is a division of the federal public administration as set out in column 1 of Schedule I.1 of the *Financial Administration Act* and reports to Parliament through the Prime Minister.

PCO reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet. The Clerk is also the Head of the Public Service. The mandate of PCO is to serve Canada and Canadians by providing professional, non-partisan advice and support to the Prime Minister, the ministers within the Prime Minister's portfolio and Cabinet. PCO supports the development of the Government of Canada's policy and legislative agendas, coordinates responses to issues facing the Government and the country, and supports the effective operation of Cabinet.

Commissions of inquiry established under the *Inquiries Act* are designated as departments under the *Financial Administration Act* and the Prime Minister is designated as the "appropriate Minister" under that same Act. PCO provides administrative and financial management support to commissions of inquiry. There are no active commissions of inquiry in the 2014-15 fiscal year and there are no commissions of inquiry currently planned for 2015-16.

To achieve its strategic outcome and to deliver results for Canadians, PCO articulates its plans and priorities based on the core programs below.

#### *1.1 Advice and support to the Prime Minister and portfolio ministers*

PCO provides professional, non-partisan advice and support to the Prime Minister and portfolio ministers on the full spectrum of issues and policies they address on a daily basis. PCO also provides advice and support on: the structure and organization of government; government-wide communications; Governor-in-Council appointments; the development and implementation of parliamentary and legislative programs; democratic reform; and legal issues. In addition, PCO provides administrative advice and support pertaining to the budgets of the Prime Minister's Office and those of the offices of portfolio ministers.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### *1.2 Advice and support to Cabinet and Cabinet committees*

PCO supports the efficient and effective functioning of Cabinet and Cabinet committees on a day-to-day basis. As part of this work, PCO coordinates departmental policy, legislative and government administration proposals going to Cabinet and its committees; performs a challenge function during the policy development process; and prepares briefing materials and accompanying policy analysis to facilitate Cabinet's decision-making process. PCO also provides a secretariat function for Cabinet and its committees, which includes scheduling and support services for meetings, as well as preparation and distribution of Cabinet documents. In addition, PCO supports effective policy integration across the federal government so that proposals take into account the full range of departmental perspectives and issues related to implementation, such as communications, parliamentary affairs, intergovernmental relations and budget impacts.

### *1.3 Public service leadership and direction*

PCO supports the development and maintenance of a high-quality Public Service that meets the highest standards of accountability, transparency and efficiency. As part of this work, PCO provides advice to the Clerk of the Privy Council and the Prime Minister on the renewal of Public Service and government operations in order to position the Public Service workforce and workplace for the future as more adaptable, innovative and streamlined. PCO also supports the human resources management of senior leaders across the government, including performance management and leadership development.

### *1.4 Commissions of inquiry*

PCO provides commissions of inquiry with financial and administrative support. As part of this work, PCO can, when necessary, provide ongoing administrative advice and support in the following areas: staffing; acquisition services; contracting; financial services; access to funding; records management; payroll support; publishing information online; translation; legal services; security; and systems support.

### *Internal services*

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **2. Methodology and Significant Assumptions**

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of PCO as described in the *Report on Plans and Priorities*.

The information in the estimated results for fiscal year 2014-15 is based on actual results as at September 30, 2014 and on forecasts for the remainder of the fiscal year. Forecasts have been used for the preparation of the planned results for the 2015-16 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) PCO's activities will remain within normal year-to-year fluctuation parameters and no commissions of inquiry are forecasted for either year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on forecasted or historical information.

These assumptions are adopted as at September 30, 2014.

### **3. Variations and Changes to the Forecast Financial Information**

While every attempt has been made to forecast final results for the remainder of 2014-15 and for 2015-16, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, PCO has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include the following:

- (a) the timing and amounts of asset acquisitions and disposals may affect gains/losses and amortization expense;
- (b) implementation of new collective agreements; and
- (c) further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

Once the *Report on Plans and Priorities* is presented, PCO will not be updating the forecasts for any changes in financial resources made in subsequent *Supplementary Estimates*. Variances will be explained in the *Departmental Performance Report*.

### **4. Summary of Significant Accounting Policies**

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2011-12 fiscal year, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### (a) Expenses

Expenses are recorded on an accrual basis. Expenses for PCO's operations are recorded when goods are received or services are rendered, including services provided without charges for accommodation, employee contributions to health and dental insurance plans, and worker's compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave, as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.

Expenses include provisions to reflect changes in the value of assets such as bad debt on accounts receivable. Furthermore, the expenses include provisions to reflect changes in the value of liabilities such as contingent liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include the consumption of inventory and amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

#### (b) Revenues

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

Revenues that are non-respendable are not available to discharge PCO's liabilities. While the Clerk of the Privy Council and Secretary to the Cabinet is expected to maintain accounting control, she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of PCO's gross revenues.

### (c) Employee future benefits

Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. PCO's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PCO's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

### (d) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented statement of operations.

### (e) Inventory

Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory is valued at cost using the specific identification method. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.



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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### (f) Tangible capital assets

Tangible capital assets having an initial cost of \$5,000 or more are recorded at their acquisition cost. PCO does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Machinery and equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Other equipment	10 to 15 years
Motor vehicles	3 to 10 years

Work in progress are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

### (g) Measurement uncertainty

The preparation of this future-oriented statement of operations requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses reported in the future-oriented statement of operations. At the time of the preparation of this statement, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the contingent liabilities, liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the future-oriented statement of operations in the year they become known.

## 5. Parliamentary Authorities

PCO is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to PCO do not parallel financial reporting according to generally accepted accounting principles because authorities are primarily based on cash flow requirements. Items recognized in the future-oriented statement of operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, PCO has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

### a) Reconciliation of net cost of operations to requested authorities

	Estimated 2015	Planned 2016
	(in thousands of dollars)	
Net cost of operations	146,139	142,520
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,646)	(1,882)
Loss on disposal of tangible capital assets	(2)	-
Services provided without charge by other departments (Note 9)	(20,902)	(20,635)
Prepaid expenses previously charged to authorities	(881)	(750)
Decrease in inventory	(79)	(81)
(Increase) Decrease in vacation pay and compensatory leave	(191)	166
Decrease in employee future benefits	(192)	181
Increase in accrued liabilities not charged to authorities	(300)	-
Work in progress	1,078	883
Refund of prior years' expenditures	28	28
Other	(8)	5
Total items affecting net cost of operations but not affecting authorities	(23,095)	(22,085)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Other adjustment	2,668	-
Acquisition of tangible capital assets	1,144	773
Increase in prepaid expenses	781	712
Total items not affecting net cost of operations but affecting authorities	4,593	1,485
<b>Requested authorities</b>	<b>127,637</b>	<b>121,920</b>

### b) Authorities requested

	Estimated 2015	Planned 2016
	(in thousands of dollars)	
Authorities requested:		
Vote I: Program expenditures	116,509	107,089
Statutory amounts	14,067	14,843
Less:		
Authorities available for future years	(10)	(12)
Lapsed: Operating	(2,929)	-
<b>Requested authorities</b>	<b>127,637</b>	<b>121,920</b>

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## Privy Council Office

### Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

#### **6. Forecasted Expenses**

The following table presents the forecasted expenses incurred by major object. The results for the period are as follows:

	Estimated Results 2015	Planned Results 2016
	(in thousands of dollars)	
Salaries and employee benefits	109,557	108,359
Accommodation (Note 9a)	13,610	13,438
Professional and special services	11,782	9,767
Transportation and telecommunications	3,320	3,094
Information	1,518	1,912
Amortization of tangible capital assets	1,646	1,882
Purchased repair and maintenance	1,627	1,438
Acquisition of machinery and equipment	1,256	1,114
Rentals	1,189	1,056
Utilities, materials and supplies	580	648
Loss on disposal of tangible capital assets	12	12
Other	131	(108)
<b>Total of Forecasted Expenses</b>	<b>146,228</b>	<b>142,612</b>

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **7. Employee future benefits**

#### **a) Pension benefits:**

PCO's employees participate in the Public Service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and PCO contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The 2014-15 forecasted expense amounts to \$12,139,117 (\$12,886,508 in 2015-16). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2015-16) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2015-16) the employee contributions.

PCO's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the future-oriented statement of operations of the Government of Canada, as the Plan's sponsor.

#### **b) Severance benefits:**

PCO provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

Information about the severance benefits, estimated as at the date of this statement, is as follows:

	Estimated Results 2015	Planned Results 2016
(in thousands of dollars)		
Accrued benefits obligation - Beginning of year	5,756	5,948
Expense for the year	1,259	759
Expected benefits payments during the year	(1,067)	(940)
Accrued benefits obligation - End of year	<b>5,948</b>	<b>5,767</b>

### 8. Contractual Obligations

The nature of PCO's activities can result in some large multi-year contracts and obligations whereby PCO will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2015	2016	2017	2018	2019 and thereafter	Total
(in thousands of dollars)						
Transport and telecommunications	366	215	227	-	18	<b>826</b>
Information	1,237	538	13	-	-	<b>1,788</b>
Professional and special services	3,628	1,558	34	-	-	<b>5,220</b>
Rental	594	679	375	259	86	<b>1,993</b>
Purchased repair and maintenance	1,413	1	-	-	-	<b>1,414</b>
Utilities, materials and supplies	57	4	-	-	-	<b>61</b>
Acquisition of machinery and equipment	298	23	23	-	-	<b>344</b>
Other	1	-	-	-	-	<b>1</b>
Total	<b>7,594</b>	<b>3,018</b>	<b>672</b>	<b>259</b>	<b>104</b>	<b>11,647</b>

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### 9. Related Party Transactions

PCO is related as a result of common ownership, to all government departments, agencies, and Crown corporations. PCO enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, PCO has an agreement with the Security and Intelligence Review Committee (SIRC) related to the provision of finance and administration services which is included in revenues of the section b) of this note. During the year, PCO received common services which were obtained without charge from other government departments as disclosed below:

#### (a) Common services provided without charge by other government departments:

During the year, PCO receives services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans and workers' compensation. These services provided without charge have been recorded in PCO's Future-Oriented Statement of Operations as follows:

	Estimated Results 2015	Planned Results 2016
	(in thousands of dollars)	
Accommodation	13,610	13,438
Employer's contribution to the health and dental insurance plans	7,291	7,196
Worker's compensation	1	1
<b>Total</b>	<b>20,902</b>	<b>20,635</b>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in PCO's Future-Oriented Statement of Operations.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

**(b) Other transactions with related parties:**

	Estimated Results 2015	Planned Results 2016
	(in thousands of dollars)	
Revenues – Other Government departments and agencies	75	75
Expenses – Other Government departments and agencies	26,175	25,528

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Expenses disclosed in (b) exclude common services provided without charges which are already disclosed in (a).