



Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2017

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2017

Statement outlining results, risks and significant changes in operations, personnel and programs

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1. Introduction

This quarterly report has been prepared by management as required by [section 65.1 of the Financial Administration Act](#) and in the manner prescribed by the Treasury Board. The report should be read in conjunction with the Main Estimates and the Supplementary Estimates (A), as well as [Budget Plan 2014](#), [Budget Plan 2015](#), [Budget Plan 2016](#), and [Budget Plan 2017](#).

The report has been reviewed by the Departmental Audit Committee.

1.1 Basis of presentation

This report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Treasury Board of Canada Secretariat's spending authorities granted by Parliament and those used by the Secretariat, consistent with the Main Estimates and Supplementary Estimates (A) for the fiscal year ending March 31, 2018. This report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Secretariat uses the full accrual method of accounting to prepare and present its annual departmental financial statements, which are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.2 Raison d'être

The Secretariat is the central agency that acts as the administrative arm of the Treasury Board, a committee of Cabinet. The Secretariat supports the Treasury Board in the following principal roles:

Spending oversight

Review spending proposals and authorities; review existing and proposed government programs for efficiency, effectiveness and relevance; provide information to Parliament and Canadians on government spending.

Regulatory oversight

Develop and oversee policies to promote good regulatory practices, review proposed regulations to ensure they adhere to the requirements of government policy, and advance regulatory cooperation across jurisdictions.

Administrative leadership

Lead government-wide initiatives; develop policies and set the strategic direction for government administration related to service delivery and access to government information, as well as the management of assets, finances, information and technology.

Employer

Develop policies and set the strategic direction for people management in the public service; manage total compensation (including pensions and benefits) and labour relations; undertake initiatives to improve performance in support of recruitment and retention objectives.

1.3 Secretariat's financial structure

The Secretariat manages both departmental and Treasury Board central votes. Its departmental operating expenditures and revenues are managed under Vote 1, Program Expenditures.

The Secretariat manages 7 different central votes:

- Vote 5, **Government Contingencies**, supplements other appropriations to provide federal departments and agencies with temporary advances for urgent or unforeseen departmental expenditures between Parliamentary supply periods.
- Vote 10, **Government-Wide Initiatives**, supplements other appropriations to support the implementation of strategic management initiatives across the federal public service.
- Vote 15, **Compensation Adjustments**, supplements other appropriations to provide funding for adjustments made to terms and conditions of service or employment of the federal public administration as a result of collective bargaining.
- Vote 20, **Public Service Insurance**, provides the employer's share of group benefit plan coverage costs as part of the Treasury Board's role as the employer of the core public administration. These plans include the Public Service Health Care Plan, Public Service Dental Care Plan, Pensioners' Dental Services Plan, Disability Insurance Plan, provincial payroll taxes (Manitoba, Newfoundland, Ontario and Quebec), Public Service Management Insurance Plan.
- Vote 25, **Operating Budget Carry Forward**, supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year, up to 5% of the gross operating budget in an organization's Main Estimates.
- Vote 30, **Paylist Requirements**, supplements other appropriations to meet legal requirements for the government as employer for items such as parental benefits and severance payments.
- Vote 33, **Capital Budget Carry Forward**, supplements other appropriations for the carry forward of unused capital funds from the previous fiscal year, up to 20% of an organization's capital vote.

The funding in these votes is approved by Parliament. With the exception of Vote 20, funding in central votes is transferred from the Secretariat to individual departments and agencies once specified criteria are met. Like any other department, the Secretariat also receives its own share of appropriations from these votes. Any unused balance from these votes is returned to the fiscal framework at the end of the year and is reported as the Secretariat lapse.

Expenditures incurred against statutory authorities mainly reflect the government's obligation to pay the employer's share of the Public Service Pension Plan, the Canada Pension Plan and the Québec Pension Plan, Employment Insurance premiums and Public Service Death Benefits. The Secretariat recovers from other government departments and agencies their share of the employer contributions under the Public Service Superannuation Act, and is subsequently charged by Public Services and Procurement Canada for actual expenditures in the same statutory vote. Adjustments are made at year-end to individual departments' statutory votes (including those of the Secretariat) for the difference between periodic recoveries and actual expenditures.

This quarterly report highlights the financial results of Vote 1, Program Expenditures, related to the delivery of the Secretariat's mandate; Vote 20, Public Service Insurance related to the Treasury Board's role as employer; and statutory authorities related to the government's obligation to pay the employer's share of employee benefit plans.

2. Highlights of fiscal quarter and fiscal year-to-date results

This section highlights the financial results for the fiscal quarter ended June 30, 2017, and provides explanations of differences compared with the same period last year exceed materiality thresholds of \$1 million for Vote 1, Program Expenditures; \$1 million for statutory votes; and \$10 million for Vote 20, Public Service Insurance.

Highlights of fiscal quarter and fiscal year-to-date results (\$ thousands)

	2016-17 Budgetary Authorities to March 31, 2017	2017-18 Budgetary Authorities to March 31, 2018	Variance in budgetary authorities	Year-to-date expenditures as at Q1 2016-17	Year-to-date expenditures as at Q1 2017-18	Variance in expenditures
Vote 1: Program Expenditures	255,058	249,305	-5,753	49,600	50,794	1,194
Vote 20: Public Service Insurance	2,338,971	2,398,571	59,600	563,359	620,668	57,309
Statutory authorities	471,326	367,427	-103,898	-170,857	-74,943	95,914
Total	3,065,354	3,015,303	-50,051	442,102	596,519	154,417

2.1 Statement of voted and statutory authorities

Total budgetary authorities available for use decreased by \$50.1 million (1.6%) from the previous fiscal year. Vote 1 authorities decreased by \$5.8 million, Vote 20 authorities increased by \$59.6 million, and statutory payments decreased by \$103.9 million. The following table provides a detailed explanation of these changes.

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
Vote 1: Program Expenditures	
Funding for the Workspace Renewal Initiative (phase II) to fit up 219 Laurier Avenue West in time for approximately 800 Secretariat employees to move in by winter 2018	7,031
Funding to make it easier for Canadians to request government information through an Access to Information website	3,092
Funding to expand Open Data Initiatives including advancing government-wide efforts to design and deliver an ambitious open government strategy, support engagement with Canadians and accelerate the provision of digital content.	1,943
Transfer-in of funding from the Royal Canadian Mounted Police to the Secretariat to implement the new labour relations regime because the Public Service Labour Relations Act now applies to Royal Canadian Mounted Police members	1,363
Funding to strengthen the Secretariat's capacity to advance the Government of Canada Clients First Service Strategy	1,118
A reduction in the level of contributions by other government departments and agencies to support the Secretariat-led Government-Wide Back Office Transformation Initiative	-14,630
Sunset of funding received to conduct a third-party resource alignment review of Shared Services Canada, which looked at the department's 2016 IT Transformation Plan, its revised service strategy, and its relationships with partner organizations, and which recommended ways to improve the delivery of modernized IT services for the Government of Canada	-2,144
Reduction in funding to support the procurement of professional services, advertising, as well as travel of the Secretariat's employees to deliver the Secretariat's mandate	-1,741
Deferral of some activities and related funding for the Workplace Wellness and Productivity Strategy to modernize sick leave and disability management in the federal public service to future years	-1,252
Other miscellaneous decreases	-533
Sub-total Vote 1	-5,753
Vote 20: Public Service Insurance	
Additional funding to address the government's costs as a result of the increase in the employer's share of the premium for the Service Income Security Insurance Plan	59,600
Sub-total Vote 20	59,600
Statutory authorities	
A reduction in the annual actuarial adjustment payment made under the Public Service Superannuation Act and other retirement acts and the Employment Insurance Act to address the actuarial deficit in these plans	-103,000
A decrease in the Secretariat's share of contributions to employee benefit plan for its employees related to the decrease in funding received in fiscal year 2017-18	-898
Subtotal statutory authorities	-103,898
Total Authorities	-50,051

2.2 Statement of departmental budgetary expenditures by standard object

By the end of the fiscal quarter ended June 30, 2017, budgetary expenditures had increased by \$154.4 million (34.9%) compared with the same period in the previous year. Vote 1 expenditures increased by \$1.2 million, Vote 20 expenditures increased by \$57.3 million, and statutory payments increased by \$95.9 million. The following table provides a detailed explanation of these changes by standard object.

Standard object	Changes to voted and statutory expenditures (2017-18 compared with 2016-17)	\$ thousands
Vote 1: Program Expenditures		
1 Personnel	The increase is primarily due to the implementation of the signed collective agreements that increase salaries of the Financial Management (FI) group and the Audit, Commerce and Purchasing (AV) group, as well as delays in recovery of salaries of former Secretariat employees who have since transferred to other government departments and agencies.	2,054
Other	Miscellaneous expenditures	-860
Subtotal Vote 1		1,194
Vote 20: Public Service Insurance		
1 Personnel	The increase is mainly due to higher costs per service and higher volume of claims for Public Service Health Care Plan benefits, an increase in provincial payroll taxes due to growth in the public service and increased salaries related to the implementation of new collective agreements, as well as the requirement for the employer to once again pay premiums for employees covered under the Public Service Management Insurance Plan following the cessation of a premium holiday in December 2016. In addition, the employer's share of premiums for Canadian Armed Forces members' coverage under the Service Income Security Insurance Plan increased effective, July 1, 2016.	68,968
45/46 vote-netted revenue	Pensioner-to-employer contributions for the Public Service Health Care Plan aim to achieve a 50-50 cost-sharing ratio by April 1, 2018. The planned cost-sharing ratio is currently 43.75% for pensioners (up from 37.5% at April 1, 2016) and 56.25% for the employer (down from 62.5%) in this third year of a 4-year gradual transition. The increase in pensioner contributions results in increased revenue collected to offset the cost of public service insurance.	-12,657
Other	Miscellaneous expenditures	998
Subtotal Vote 20		57,309
Statutory expenditures		
1 Personnel	Public Services and Procurement Canada charges the Secretariat for the employer share of contributions to the Public Service Pension Plan, the Canada Pension Plan, the Québec Pension Plan, the Employment Insurance Plan and the Supplementary Death Benefit Plan. The Secretariat, in turn, recovers these payments from other government departments and agencies. The increase in the first quarter is mainly due to the timing of employee benefit plan payments to date, because these payments made to Public Services and Procurement Canada have yet to be recovered from other government departments and agencies; however, the net effect on the Secretariat's financial statements will be zero by year-end.	95,914
Subtotal statutory expenditures		95,914
Total expenditures		154,417

3. Risks and uncertainties

The Secretariat continues to operate in a dynamic environment, dominated by economic fluctuations, rapid technological change, evolving demographics, and geopolitical and security instability. The Secretariat must continually plan for and respond to changes in this environment. The following are the top operational risks and the associated response strategies.

3.1 Delivery of priorities (pace of implementation)

The government has set high expectations for the public service for high-quality advice and timely delivery of results for Canadians. From the outset, the Secretariat adopted a results and delivery approach by articulating clear goals and performance indicators for each initiative that were reported on regularly.

In 2016-17, the Secretariat appointed a Chief Results and Delivery Officer that was supported by a small Results and Delivery Unit. Over the course of the year, it refined its approach and enhanced capacity to provide strategic policy and advice to priority areas.

In 2017-18, the Secretariat will accelerate delivery of priority initiatives. There will be an increased focus on reviewing core business on an ongoing basis and eliminating unnecessary work in order to reallocate resources to emerging high priorities and to ensure that resources are being managed effectively to deliver results.

3.2 Information technology capacity

Many priority initiatives depend on information technology (IT), and there is a risk that the Secretariat's current IT infrastructure and expertise may not evolve fast enough to support the organization's objectives.

To address this risk, the Secretariat, in collaboration with Shared Services Canada, continuously reviews allocated server capacity and decommissions unused applications to ensure optimal efficiency and reduced cost. To ensure that highly available, secure and fully managed network and infrastructure is in place, the Secretariat is developing disaster recovery plans for "business critical" systems.

In 2017-18, the Secretariat will increase IT capacity through the use of alternate sources such as subscription services, software-as-a-service and infrastructure-as-a-service.

3.3 Capacity for delivery of government-wide initiatives

The Secretariat is playing an increasingly prominent role in government-wide initiatives and is leading a number of initiatives such as enabling functions transformation, open government, development of a new service strategy and revitalization of access to information across the government. Leading these initiatives is a challenge, particularly in an organization as large and complex as the federal government. There is therefore a risk that the Secretariat may not have sufficient capacity to support government-wide projects.

Starting in 2016-17, the Secretariat shifted its focus to monitoring the results and benefits of these government-wide initiatives. This included engaging with user communities, improving training strategies, as well as ensuring departmental readiness to implement these initiatives. The Secretariat also strengthened project governance and monitoring to course correct as required to achieve the desired results.

In 2017-18, the Secretariat will strengthen the accountability and skills of its project managers, as well as update the Secretariat's investment plan.

3.4 Increasing cost of Public Service Health Care Plan

The cost of delivering the plan is driven by many variables. As a result, there could be significant shifts in spending in a given year owing to changes in plan membership, the cost of drugs and medical treatments, use of plan entitlements, and provincial tax regulations.

The Secretariat continues to closely monitor spending activity and trends in the rising cost of delivering public service insurance benefit plans.

4. Significant changes in relation to operations, personnel and programs

This section highlights significant changes in operations, personnel and programs of the Secretariat during the first quarter of the fiscal year.

As a result of the new Policy on Results that was approved by the Treasury Board in June 2016, a new Departmental Results Framework has been implemented for the Secretariat in fiscal year 2017-18. The new policy directly supports the government's commitment to deliver and demonstrate progress toward clear results for Canadians. The new approach aims to improve how the government articulates its results, measures performance, allocates and aligns resources to core responsibilities and priorities, and reports on outcomes that matter most to Canadians. By implementing the new approach, both Canadians and parliamentarians will receive clear, transparent, useful information on the results that the Secretariat has achieved and the resources used to do so.

Another notable change is the appointment of a new assistant deputy minister, effective May 1, 2017, to lead the Horizontal Review on Innovation. As announced in Budget 2017, the government committed to undertaking a whole-of-government review of innovation programming to look for opportunities to simplify and improve the effectiveness of innovation and clean technology programs.

To achieve stabilization of Phoenix, the Government of Canada's Phoenix pay system, Public Services and Procurement Canada and the Secretariat are undertaking important changes in governance to better integrate human resources policies and pay management processes. The Chief Human Resources Officer will partner with Public Services and Procurement Canada to stabilize the Government of Canada Pay System from a human resources policy and process perspective while the lead remains with Public Services and Procurement Canada.

5. Approval by Senior Officials

Approved by,

Original signed by Bill Matthews for

Yaprak Baltacıoğlu, Secretary

Original signed by

Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

Date: August 26, 2017

Appendix

For the quarter ended June 30 , 2017

Table 1 - Departmental budgetary expenditures by Standard Object (unaudited)
(in dollars)

	Fiscal year 2016-2017			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Expenditures:						
1 Personnel	3,462,453,905	522,851,221	522,851,221	3,557,827,685	689,786,255	689,786,255

	Fiscal year 2016-2017			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
2 Transportation and communications	1,915,895	306,445	306,445	1,412,763	256,764	256,764
3 Information	363,980	61,309	61,309	235,642	73,050	73,050
4 Professional and special services	89,553,399	14,722,393	14,722,393	75,546,702	14,474,655	14,474,655
5 Rentals	2,535,535	220,421	220,421	2,242,431	154,609	154,609
6 Repair and maintenance	1,230,818	37,590	37,590	2,642,973	4,156	4,156
7 Utilities, materials and supplies	1,457,617	50,664	50,664	581,379	53,490	53,490
9 Acquisition of machinery and equipment	3,803,533	635,979	635,979	6,257,557	729,220	729,220
10 Transfer payments	500,000	1,301	1,301	981,690	351,297	351,297
12 Other subsidies and payments	2,448,746	1,820,220	1,820,220	624,888	1,898,218	1,898,218
Total gross budgetary expenditures	3,566,263,428	540,707,543	540,707,543	3,648,353,710	707,781,714	707,781,714
Less Revenues netted against expenditures:						
Vote Netted Revenues (VNR) - Centrally managed items	-489,060,581	-98,605,858	-98,605,858	-620,411,799	-111,263,193	-111,263,193
Vote Netted Revenues (VNR) - Program expenditures	-11,848,562	0	0	-12,638,671	0	0
Total Revenues netted against expenditures	-500,909,143	-98,605,858	-98,605,858	-633,050,470	-111,263,193	-111,263,193
Total net budgetary expenditures	3,065,354,285	442,101,685	442,101,685	3,015,303,240	596,518,521	596,518,521
Government-Wide Expenses included above *						
1 Personnel	3,268,621,978	475,763,478	475,763,478	3,356,573,196	640,839,679	640,839,679
2 Transportation and communications	0	2,596	2,596	0	1,396	1,396
4 Professional and special services	1,909,207	6,637,451	6,637,451	1,909,207	7,279,383	7,279,383
5 Rentals	0	3,200	3,200	0	0	0
10 Transfer payments	500,000	1,301	1,301	500,000	351,297	351,297
12 Other subsidies and payments	0	1,708,602	1,708,602	0	1,719,919	1,719,919
Total	3,271,031,185	484,116,628	484,116,628	3,358,982,403	650,191,674	650,191,674
* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employer contributions made under the Public Service Superannuation Act and other retirement acts and the Employment Act (EI); Payments made under the Public Service Pension Adjustment Act; Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act).						

Table 2 - Statement of Authorities (unaudited)
(in dollars)

	Fiscal year 2016-2017			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2017 -	Used during the quarter ended June 30, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 -	Used during the quarter ended June 30, 2017	Year to date used at quarter-end
Vote 1 - Program Expenditures	255,057,889	49,599,783	49,599,783	249,305,302	50,793,704	50,793,704
Vote 20 - Public Service Insurance	2,338,970,604	563,358,796	563,358,796	2,398,570,604	620,667,939	620,667,939
Statutory Authorities						

	Fiscal year 2016-2017			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2017	Used during the quarter ended June 30, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018	Used during the quarter ended June 30, 2017	Year to date used at quarter-end
A111 - President of the Treasury Board - Salary and motor car allowance	83,500	6,958	6,958	84,400	21,150	21,150
A140 - Contributions to employee benefit plans	28,242,292	6,984,173	6,984,173	27,342,934	6,775,186	6,775,186
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	443,000,000	-177,848,113	-177,848,113	340,000,000	-81,739,525	-81,739,525
A681 - Payments under the Public Service Pension Adjustment Act	0	88	88	0	67	67
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	0	0	0	0	0
Total Statutory Authorities	471,325,792	-170,856,894	-170,856,894	367,427,334	-74,943,122	-74,943,122
Total authorities	3,065,354,285	442,101,685	442,101,685	3,015,303,240	596,518,522	596,518,522
* Includes only Authorities available for use and granted by Parliament at quarter-end						

Date modified:

2017-08-29