Correctional Service Canada | Service correctionnel Canada

Safety, Respect and Dignity for All

La sécurité, la dignité et le respect pour tous

Quarterly Financial Report

For the Quarter ended

June 30, 2013

Canada

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Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, Supplementary Estimates, as well as *Canada's Economic Action Plan 2012* (Budget 2012). This report has not been subject to an external audit or review.

Correctional Service Canada (CSC), as part of the criminal justice system and respecting the rule of law, contributes to public safety by actively encouraging and assisting offenders to become law-abiding citizens, while exercising reasonable, safe, secure and humane control. It delivers its mandate under four major program activities. A summary description of CSC's program activities can be found in Part II of the Main Estimates.

CSC contributes to public safety by administering court-imposed sentences for offenders sentenced to two years or more. This involves managing institutions of various security levels and supervising offenders on different forms of conditional release, while assisting them to become law-abiding citizens. CSC also administers post-sentence supervision of offenders with Long Term Supervision Orders for up to ten years.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the CSC's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates, and Supplementary Estimates A for the 2013-2014 fiscal year, for which full supply was released on June 20, 2013[1]. This quarterly 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-2013 Main Estimates, i.e., these authorities did not take into consideration any effect from the Deficit Reduction Action Plan.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

The authority of Parliament is required before moneys 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.

[1] Released through Orders in Council P.C. 2013-0826 and P.C. 2013-0828.

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

CSC has an active Revolving Fund (CORCAN) which is included in the statutory votes of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods of time, after they are released into the community. CORCAN has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund (CRF) for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed $5.0 million at any time.

Highlights of Fiscal Quarter End and Fiscal Year to Date (YTD) Results

Authorities Analysis

As reflected in the attached Statement of Authorities, as of June 30, 2013, CSC has seen a reduction in total authorities of $428.4 million for the current fiscal year compared to the previous fiscal year. This represents a 14.2% decrease over the total authorities available as of June 30, 2012.

The following table summarizes the variances in total authorities by vote between June 30, 2012 and June 30, 2013.

(in millions of dollars)

	Operating (Vote 25)	Capital (Vote 30)	Budgetary Statutory Authority[2]	Total
Quarterly Financial Report as of June 30, 2013				
CSC Accommodation Plan 2013-2018	(165.3)	(19.8)	(18.8)	(203.9)
Budget 2012 Saving Measures (Deficit Reduction Action Plan)	(154.3)	-	(15.9)	(170.2)
Reprofiling among fiscal years	-	(81.1)	-	(81.1)
Collective Agreements Renewals	20.9	-	4.2	25.1
National Capital, Accommodation and Operations Plan	1.1	-	(0.1)	1.0
Other	(0.3)	-	1.0	0.7
Total	**(297.9)**	**(100.9)**	**(29.6)**	**(428.4)**

2 Represent CSC's allocation of the employer's share of Employee Benefit Plan.

Variances in Authorities as of June 30, 2013

Through CSC 2013-2018 Accommodation Plan, funding has been reduced by $203.9 million. As part of the Plan, CSC's reference levels were reduced by $165.3 million in operating, $19.8 million in capital and $18.8 million in Employee Benefit Plan. This reduction in operating is associated with the return of funds related to projected inmate population growth which has not materialized for the *Tackling Violent Crime Act* and the *Truth in Sentencing Act*. The reduction in capital of $19.8 million is the result of two adjustments. Capital funding was reduced by $89.8 million to reflect the inmate population growth that has not materialized and an increase of $70.0 million was provided to address the ongoing capitalized maintenance requirements of existing and planned additional units within existing institutions.

The $170.2 million relates to savings identified as part of the Budget 2012 (Deficit Reduction Action Plan).

There was a reduction in capital vote reference levels of $81.1 million due to reprofiling of capital funding among fiscal years. It is attributable to the Construction Portfolio ($12.3 million), the reduction in opening reference level relating to the *Truth in Sentencing Act* ($57.6 million), the Strategic Review Reallocation ($10.8 million) and other adjustments ($0.4 million).

In the first quarter of 2013-2014, CSC received $25.1 million for Collective Agreement renewals.

The $1.0 million increase for the National Capital, Accommodation & Operations Plan (NCAOP) represents a net adjustment from previous years' plans. These changes are based on funding formulae driven by variations in Consumer Price Index and offender population levels, both incarcerated and in the community, as well as changes to the offender profile.

Quarterly Expenditures Analysis

Compared to the first quarter of the previous fiscal year, total net budgetary expenditures have decreased by $3.6 million (0.7%).

(in millions of dollars)

Departmental Budgetary Expenditures	**Quarter Over Quarter**
Total Net Budgetary Expenditures 2012-2013	522.4
Total Net Budgetary Expenditures 2013-2014	518.8
Variance	**(3.6)**
Explanation of Variances by Standard Object	
• Professional and special services[3]	(14.2)
• Acquisition of land, buildings and works[4]	10.0
• Other	0.6
Total	**(3.6)**

Quarter Over Quarter Expenditures Analysis

The overall decrease of $3.6 million is mainly attributable to a reduction in professional and special services expenditures. This decrease was partially offset by an increase in acquisition of land, buildings and works. The following paragraphs explain the significant variances.

The decrease of $14.2 million in professional and special services expenditures is mainly due to a modification in the Correctional and Training fee[5] invoicing process between CSC and CORCAN that resulted from a difference in the timing of the expenditure. At the end of the first quarter, CSC had only partially paid the Training fee invoice to CORCAN whereas in 2012-2013, CSC had completely paid the Training fee invoice to CORCAN during the first quarter.

The quarter over quarter increase of $10.0 million in acquisition of land, buildings and works expenditures is mainly due to the ongoing construction of new living units in many of CSC's existing institutions across the country.

Spending Trend Analysis

CSC's spending trend in the first quarter of 2013-2014 is comparable to the same quarter last year ($518.8 million versus $522.4 million). Overall, no major variance in spending has been observed in the first quarter as the majority of the savings will materialize once the Deficit Reduction Action Plan saving measures are implemented as planned later in the fiscal year.

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[3] This variance mainly explains the decrease of CSC's expenditures in Vote 25 (Operating Expenditures) as presented in Statement of Authorities.
[4] This variance mainly explains the increase of CSC's expenditures in Vote 30 (Capital Expenditures) presented in Statement of Authorities.
[5] The Correctional and Training fee's purpose is to offset salary and operating costs that cannot be recovered by CORCAN through the sale of goods and services due to the correctional environment in which it operates.

Risks and Uncertainties

CSC's Report on Plans and Priorities (RPP) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes. Within this context, specific financial risks relative to the first quarter include the following:

Collective agreements covering approximately 44% of CSC's workforce have expired (primarily with the Union of Canadian Correctional Officers). New agreements could result in significant financial pressure for CSC.

CSC continues to implement measures to address the budgetary constraints resulting from the *Expenditure Restraint Act*[6], including:

- maintaining staff deployment standards for Correctional Officers and computerized roster systems to ensure efficient staffing levels in federal institutions, resulting in a significant reduction in overtime expenditures;
- improving integrated human resource and business planning methods to improve the accuracy of forecasts for future staffing, recruitment, and essential training needs;
- implementing strict controls on travel and hospitality expenditures; and,
- reducing contracts for non-essential professional services.

Significant Changes in Relation to Operations, Personnel and Programs

During the first quarter of 2013-2014, there have been no significant changes in relation to operations, personnel and programs.

[6] As of 2013-2014, CSC is receiving the funding for the increase in salary, however CSC has to cover the salary increase for signed agreement for 2010-2011, 2011-2012 and 2012-2013.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

CSC is doing its part to support the federal government's return to a balanced budget, reduce the deficit, and deliver on its commitments to Canadians.

Budget 2012 announced that CSC will achieve savings of $85.5 million in 2012-2013, $170.2 million in 2013-2014, and ongoing savings of $295.4 million by 2014-2015. The organization will achieve these cost savings by pursuing the implementation of measures to increase offender accountability, achieve administrative efficiencies, streamline operations and program delivery, and close three institutions by 2014-2015 (Kingston Penitentiary and the Regional Treatment Centre in Ontario and Leclerc Institution in Quebec).

CSC has fully achieved its target for 2012-2013. For the current and following fiscal years, CSC is actively managing the roll-out of all initiatives through regular and sustained monitoring at the local, regional and national levels. For 2013-2014, although delays are anticipated in the implementation of a few initiatives, interim mitigation strategies have been implemented to achieve the savings as planned.

The initiatives arising from Budget 2012 will further enable CSC to focus resources on the organization's key priorities and core mandate, while at the same time ensuring the organization will continue delivering strong public safety results for Canadians.

Approvals by Senior Officials

Don Head, Commissioner	Liette Dumas-Sluyter, CMA, CIA
Ottawa, Canada	Chief Financial Officer
August 15, 2013	

Statement of Authorities (unaudited)

(in thousands of dollars)	*Fiscal Year 2013-2014* Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year to date used at quarter-end	*Fiscal Year 2012-2013* Total available for use for the year ending March 31, 2013*, **	Used during the quarter ended June 30, 2012	Year to date used at quarter-end
Vote 25 – Operating Expenditures	**2,008,952**	**432,383**	**432,383**	**2,306,862**	**444,388**	**444,388**
Vote 30 – Capital Expenditures	**355,545**	**30,476**	**30,476**	**456,432**	**19,674**	**19,674**
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	87,201	16,748	16,748	86,633	17,671	17,671
CORCAN Gross Revenues	(87,201)	(19,055)	(19,055)	(86,633)	(25,000)	(25,000)
CORCAN Net Expenditures (Revenues)	-	(2,307)	(2,307)	-	(7,329)	(7,329)
Contributions to employee benefit plans	233,117	58,279	58,279	262,737	65,684	65,684
Spending of proceeds from the disposal of surplus Crown assets	1,335	-	-	1,341	-	-
Total Budgetary Authorities	**2,598,949**	**518,831**	**518,831**	**3,027,372**	**522,417**	**522,417**
Non-Budgetary Authorities	46	-	-	46	-	-
Total Authorities	**2,598,995**	**518,831**	**518,831**	**3,027,418**	**522,417**	**522,417**

More information is available on the following page.

* *Includes only Authorities that were available for use and granted by Parliament as of quarter end.*

***Total available for use does not reflect measures announced in Budget 2012.*

Departmental Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
(in thousands of dollars)	Planned expenditures for the year ending March 31, 2014**	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 *, **	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Expenditures						
Personnel	1,614,750	415,046	415,046	1,798,387	419,555	419,555
Transportation and communications	60,641	5,872	5,872	73,847	6,193	6,193
Information	1,931	175	175	2,113	151	151
Professional and special services	356,414	51,361	51,361	417,733	65,512	65,512
Rentals	16,847	2,932	2,932	20,496	2,428	2,428
Repair and maintenance	46,327	2,762	2,762	63,199	2,647	2,647
Utilities, materials and supplies	149,888	22,125	22,125	183,094	21,044	21,044
Acquisition of land, buildings and works	280,725	26,471	26,471	303,477	16,461	16,461
Acquisition of machinery and equipment	76,154	2,050	2,050	154,296	2,729	2,729
Transfer payments	958	121	121	1,590	-	-
Other subsidies and payments	81,515	8,971	8,971	95,773	10,697	10,697
Total Gross Budgetary Expenditures	**2,686,150**	**537,886**	**537,886**	**3,114,005**	**547,417**	**547,417**
Less Revenues Netted Against Expenditures						
CORCAN	(87,201)	(19,055)	(19,055)	(86,633)	(25,000)	(25,000)
Total Net Budgetary Expenditures	**2,598,949**	**518,831**	**518,831**	**3,027,372**	**522,417**	**522,417**

* *Planned expenditures do not reflect measures announced in Budget 2012.*

** *The variations in planned expenditures by Standard Object in 2013 are attributable to the implementation of Budget 2012 Saving Measures as well as the return of operating and capital funds associated with the CSC Accommodation Plan 2013-2018.*