

# CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



## Quarterly Financial Report

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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## Introduction

This quarterly report has been prepared by management of Correctional Service of Canada (CSC) 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](#) and the Quarterly Financial Report for the quarter ended [June 30, 2020](#). This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined by law, is to contribute to the maintenance of a just, peaceful and safe society by carrying out sentences imposed by courts through the safe and humane custody and supervision of offenders; and by assisting the rehabilitation of offenders and their safe reintegration into the community as law-abiding citizens through the provision of programs in penitentiaries and in the community (Corrections and Conditional Release Act, s.3). A summary description of CSC's program activities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan 2020-2021](#).

## ***Basis of Presentation***

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying [Statement of Authorities](#) includes CSC's spending authorities granted by Parliament and those used by the organization, consistent with the [Main Estimates](#) for the 2020-2021 fiscal year for which a first interim supply was released March 17, 2020<sup>1</sup> and a second interim supply was released June 26, 2020<sup>2</sup>. Although CSC has only received Parliamentary approval for interim supplies totalling 9/12<sup>th</sup> of the total Main Estimates by the end of this quarter, in order to provide a useful comparison between both fiscal years, the full amount of the 2020-2021 Main Estimates has been provided in the various tables which follow. 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.

The authority of Parliament is required before money can be spent by the Department. 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.

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

CSC has an active Revolving Fund (CORCAN) that is included in the statutory authorities 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

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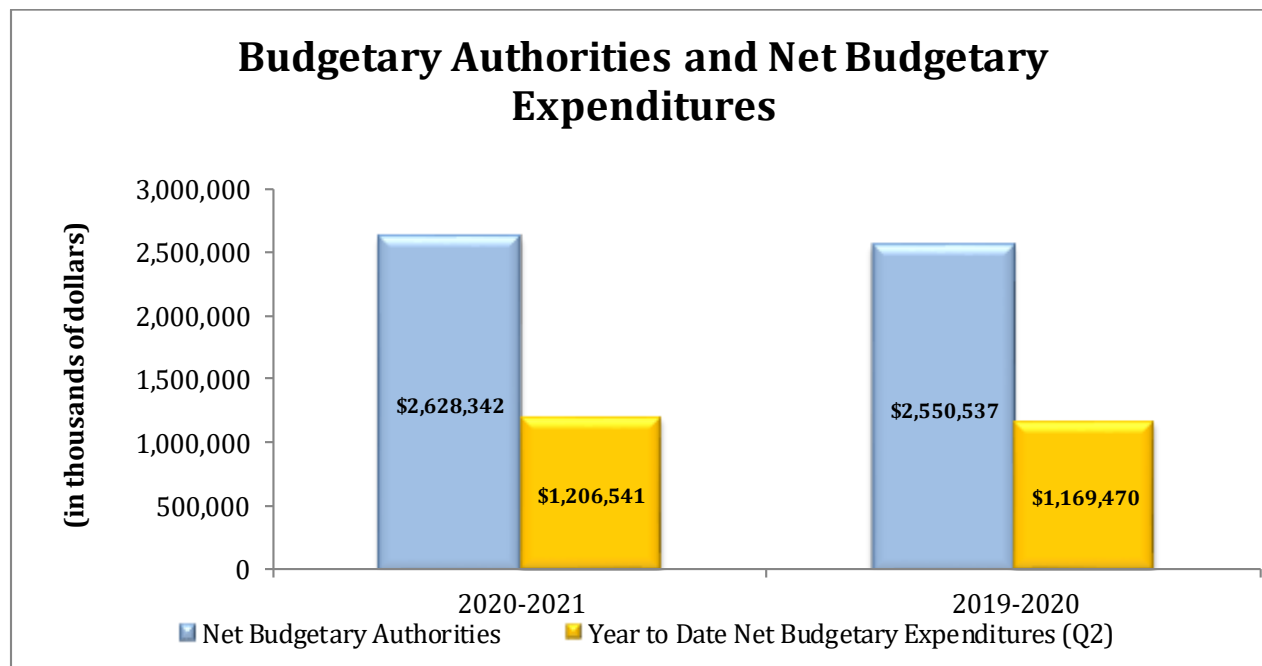
<sup>1</sup> Released through Order in Council P.C. [2020-156](#).

<sup>2</sup> Released through Order in Council P.C. [2020-509](#).

penitentiaries and, for brief periods, 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 \$20.0 million at any time. Through Supplementary Estimates (A), 2020–2021<sup>3</sup>, this limit was increased from a previous amount of \$5.0 million. This increase was requested as a consequence of reduced sales and operations resulting from the COVID-19 pandemic.

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

The following graph provides a comparison of the total budgetary authorities and net budgetary expenditures as of September 30, 2020 and September 30, 2019 for CSC's combined operating, capital and budgetary statutory authorities.



<sup>3</sup> Released through Order in Council P.C. [2020-510](#) on June 26, 2020.

### ***Significant Changes to Authorities***

Please note that to provide the reader with a significant comparison between the second quarter of 2020-2021 and 2019-2020, the variances outlined below are between the Main Estimates for both years, therefore full supply.

Currently for the 2020-2021 financial year, only 9/12<sup>th</sup> of the Main Estimates have been voted by Parliament as an interim supply, which amounts to \$1.609 billion for operating vote 1 and \$140.8 million for capital vote 5. The statutory portion of the Main Estimates for the employee benefit plan in the amount of \$220.4 million is fully available to the organization. Full supply for the Main Estimates is expected to be voted by Parliament by December 2020.

As reflected in the [Statement of Authorities](#) for the period ending September 30, 2020, CSC has seen an **increase** in total authorities of **\$77.8 million or 3%** for the current fiscal year compared to the previous fiscal year.

#### **Operating Vote**

CSC's Operating Vote **increased by \$77.6 million or 3.7%** compared to the authorities at the end of September 2019, which is attributed to the net effect of the following items:

- An **increase of \$46.3 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$24.3 million** due to a conversion of personnel budget to other operating budget;
- An **increase of \$14.1 million** related to compensation for the funded portion of collective agreement increases;
- An **increase of \$0.5 million** in funding for the *Federal Contaminated Sites Action Plan*;
- A **decrease of \$4.9 million** for *Fiscal Dividend* (Budget 2018);
- A **decrease of \$1.4 million** in funding from the Operating Budget Carry Forward;
- A **decrease of \$0.6 million** related to funding for *Addressing the Needs of Vulnerable Offenders* (Budget 2017);
- A **decrease of \$0.6 million** related to Funding for *Mental Health for Offenders and CORCAN Farms* (Budget 2018); and
- A **decrease of \$0.1 million** related to an increase in contributions for the *Census of Population*.

#### **Capital Vote**

CSC's Capital Vote **increased by \$14.6 million or 7.7%** compared to the authorities at the end of September 2019, which is attributed to the net affect of the following items:

- An **increase of 14.6 million** capital budget carry forward; and
- A **decrease of \$0.01 million** for contributions for the *Back Office Transformation* initiative.

### **Budgetary Statutory Authorities**

CSC's budgetary statutory authorities **decreased by \$14.4 million or -6.1%** compared to September 2019, which is related to the department's allocation of the employer's share of the employee benefit plan, as well as proceeds from the disposal of surplus Crown assets.

### **CORCAN Drawdown Authority**

CORCAN's existing drawdown authority was **increased from \$5.0 million to a new limit of \$20.0 million**. This was requested as a consequence of reduced sales and operations resulting from the COVID-19 pandemic and was approved through Supplementary Estimates (A), 2020–2021.

### ***Explanation of Significant Variances from Previous Year Expenditures***

Compared with the previous fiscal year, the total year to date net budgetary expenditures **increased by \$37.0 million or 3.2%** mainly due to the following factors:

- Personnel expenditures **increased by \$33.6 million** primarily due to:
  - An **increase of \$20.9 million** in salary:
    - An **increase of \$15.4 million** due to the hiring of new employees to implement *Transforming Federal Corrections* (Bill C-83) and the increased rates of pay for salaries compared to the previous fiscal year;
    - An **increase of \$5.5 million** due to the hiring of new temporary employees to adapt to the impacts of COVID-19;
  - An **increase of \$12.5 million** in overtime expenses mainly due to the COVID-19 response;
  - An **increase of \$7.7 million** due to the increase in Workers' Compensation Boards (WCB) expenditures; and
  - A **decrease of \$7.5 million** in employer contributions to the employee benefit plan that will be adjusted at year-end based on the total salary expenditures.
- Transportation and communications expenditures **decreased by \$6.3 million** primarily due to:
  - A **decrease of \$4.6 million** in travel caused by the COVID-19. Public servant travel expenditures decreased by \$4.2 million, while non-public servant travel expenditures decreased by \$0.4 million; and
  - A **decrease of \$1.7 million** in relocation costs due to COVID-19, caused by a reduction of recruitment of Correctional Officers and other relocations.
- Professional and special services **decreased by \$13.6 million** primarily due to:
  - An **increase of \$1.8 million** in information technology and telecommunications consultants for various projects;
  - A **decrease of \$8.5 million** in legal services resulting from a delay in billing;
  - A **decrease of \$3.9 million** due to the impacts of COVID-19:
    - An **increase of \$2.0 million** in contracted building cleaning services;

- A **decrease of \$2.6 million** in inmate training;
  - A **decrease of \$1.5 million** in health care services/specialists due to work orders which were stopped;
  - A **decrease of \$0.9 million** in Corps Commissionaire expenditures associated with delayed constructions projects; and
  - A **decrease of \$0.9 million** in management consulting.
- A **decrease of \$3.0 million** resulting in a decrease in funds to support CORCAN activities. In 2020-21, there was no funding for Farms from Budget 2018 and a reduction of funding for the Indigenous Offender Employment Initiative from Budget 2017.
- Repair and maintenance **decreased by \$3.1 million** primarily due to delays in building maintenance work, due to COVID-19.
- Utilities, materials and supplies **increased by \$28.5 million** primarily due to:
  - An **increase of \$31.2 million** due to the impact of COVID-19:
    - An **increase of \$30.9 million** in medical supplies, including personal protective equipment (PPE) purchases;
    - An **increase of \$1.6 million** for food due to price increases and changes in the methods of delivery of meals to inmates;
    - An **increase of \$1.4 million** in cleaning products;
    - A **decrease of \$1.1 million** in personal goods, such as uniforms and others clothing, caused by the reduction in recruitment of Correctional Officers;
    - A **decrease of \$0.7 million** in utilities, caused by the reduction of electricity expenditures;
    - A **decrease of \$0.7 million** in expenditures for gasoline, diesel fuel and light fuel oil; and
    - A **decrease of \$0.2 million** in office and stationers supplies.
  - An **increase of \$1.6 million** in allowance for footwear, which is paid every second year;
  - A **decrease of \$4.3 million** in the purchasing of Hep C medications as the inventory level was sufficient at mid-year.
- Acquisition of land, buildings and works **decreased by \$39.7 million** primarily due to construction projects that were stopped or delayed during the first semester of 2020-21, in response to COVID-19.
- Acquisition of machinery and equipment **increased by \$4.8 million** primarily due to:
  - An **increase of \$3.2 million** for laptops and other Information Technology equipment to allow the organization to meet requirements during the pandemic; and
  - An **increase of \$1.6 million** in vehicles due to delivery delays from 2019-20 resulting from COVID-19.
- Other subsidies and payments **increased by \$21.0 million** primarily due to:
  - An **increase of \$20.4 million** due to the payment of court orders;

- An **increase of \$7.2 million** due to increase in Workers' Compensation Boards expenditures;
  - An **increase of \$2.4 million** in miscellaneous expenditures resulting from the COVID-19 situation;
  - A **decrease of \$6.2 million** due to the changes in CORCAN inventory resulting from the COVID-19 situation;
  - A **decrease of \$2.0 million** associated to salary overpayment corrections; and
  - A **decrease of \$0.8 million** in salary emergency advances.
- A **net decrease of \$11.7 million** in CORCAN's revenues due to the impact of COVID-19.

(in millions of dollars)

<b>Organizational Budgetary Expenditures</b>	<b>Year Over Year</b>	<b>Quarter Over Quarter</b>
Total Net Budgetary Expenditures 2019-2020	1,169.5	629.7
Total Net Budgetary Expenditures 2020-2021	1,206.5	653.3
<b>Variance</b>	<b>37.0</b>	<b>23.6</b>
<b>Explanation of Variances by Standard Object</b>		
Personnel	33.6	19.5
Transportation and communications	(6.3)	(3.4)
Professional and special services	(13.6)	(3.3)
Repair and maintenance	(3.1)	(2.1)
Utilities, materials and supplies	28.5	22.3
Acquisition of land, buildings and works	(39.7)	(29.9)
Acquisition of machinery and equipment	4.8	3.0
Other subsidies and payments	21.0	13.3
CORCAN revenues	11.7	3.1
Other standard objects	0.1	1.1
<b>Total</b>	<b>37.0</b>	<b>23.6</b>

## Risks and Uncertainties

CSC's [Departmental Plan 2020-2021](#) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes.

CSC was successful in obtaining permanent supplementary funding following the undertaking of an intensive two-year comprehensive review. The funding obtained will help to mitigate short and mid term financial pressures. However, a new financial risk has developed with the emergence of the COVID-19 pandemic. CSC is facing new challenges to ensure the health and safety of inmates, employees and the public during this pandemic as it continues to contribute to the efforts to reduce the transmission of the



virus. CSC has quickly adapted to a new reality by providing non-operational employees with the ability to telework and ensuring the delivery of services while respecting physical distancing regulations. These events have created additional pressures on CSC's existing reference levels. In order to address this financial situation, CSC has submitted a request for supplementary funding to the Department of Finance.

CSC continues to experience ongoing issues related to the Phoenix Pay System. Given the complexity of our workforce coupled with the operational nature of our organization, CSC has experienced a significantly high number of pay related issues. CSC is continuously working internally and with external stakeholders to resolve these issues.

CSC's specific risks, as outlined in CSC's [Departmental Plan 2020-2021](#), are the increasingly diverse and evolving profile of the offender population, the maintenance of required levels of operational safety and security in institutions and the community, the inability to implement its mandate and ensure the financial sustainability of the organization, the potential loss of partners delivering critical services and providing resources for offenders, the maintenance of public confidence in the federal correctional system, and the maintenance of a safe, secure, healthy, respectful, and collaborative working environment as established by its legal and policy obligations, mission, and values statement.

CSC has put in place risk mitigation strategies to address the stated risks. The integrated approach allows CSC to handle risk-related challenges, ensure operational sustainability to fulfill its mandate.

## **Significant Changes in Relation to Operations, Personnel and Programs**

During the second quarter of 2020-2021, CSC continued to feel the impact of the COVID-19 pandemic. Many of CSC's operations were modified or temporarily suspended. Operating expenditures saw a substantial increase from the previous year, as CSC continues to do its part to prevent the spread of the virus and manage outbreaks at several institutions. Conversely, planned capital projects that were halted at the end of the 2019-2020 fiscal year (as mandated by municipal and federal governments), have slowly restarted.

In an effort to respond to the pandemic, based on the advice of public health organizations, CSC has acquired personal protective equipment (PPE) for staff and offenders to reduce and control the spread of the virus. Furthermore, CSC has increased both its health care and purchases of cleaning materials and services as a means to ensure infection prevention and control within federal correctional institutions. Of note, demand and prices for PPE have increased significantly.

CSC is also facing additional operational and health care challenges, such as required modifications to the routines of inmates, enhanced institutional cleaning strategies, and staff usage of overtime above usual levels. In addition, CSC anticipates needing to conduct extensive virus testing to limit the infection and spread of the virus within institutions.

CSC's Special Operating Agency (SOA), CORCAN, operates a revolving fund with authority to spend its revenues. Due to the resulting measures around COVID-19, CORCAN is not able to operate under normal conditions. Consequently, CSC is seeking to maintain CORCAN's increased drawdown limit set at \$20.0M, until such time as operations return to normal or compensating measures are implemented.

Due to COVID-19 and limited number of sessions being held in Parliament, authorities available for use at the end of Q2 2020-2021 are reduced to a 9/12th interim supply. CSC continues to manage within its existing authorities at this time, and is actively engaged with central agencies to mitigate operational risks.

CSC received significant investments via the Fall Economic Statement (2018) to enhance mental health services for offenders, and support amendments to transform federal corrections, specifically in support of Bill C-83. Bill C-83 "*An Act to amend the Corrections and Conditional Release Act and another Act*" received Royal Assent on June 21, 2019. The amendments eliminate administrative and disciplinary segregation, and introduce a new correctional model including the use of structured intervention units (SIUs) for inmates who cannot be managed safely within a mainstream inmate population. CSC has started and is continuing the process of making the necessary infrastructure changes, developing policies, and hiring and training staff to operate the SIUs. Funding for these initiatives gradually increases over a period of five years and stabilizes in fiscal year 2024-2025.

The following changes were made to key senior personnel, effective June 2020:

- France Gratton: previously Regional Deputy Commissioner of the Prairie Region was deployed to Assistant Commissioner of Correctional Operations and Programs;
- Scott Harris: previously Regional Deputy Commissioner of the Ontario Region has departed for a position with the Canada Border Services Agency; and
- Kevin Snedden: previously Assistant Commissioner of Correctional Operations and Programs was deployed to Regional Deputy Commissioner of the Ontario Region.

## Approvals by Senior Officials

Approved by:

Original Signed By \_\_\_\_\_  
Anne Kelly,  
Commissioner

Original Signed By \_\_\_\_\_  
Tony Matson,  
Chief Financial Officer

*Ottawa, Canada*  
November 6, 2020

## Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	<b>Fiscal year 2020-2021</b>			<b>Fiscal year 2019-2020</b>		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended September 30, 2020	Year to date used at quarter-end	Total available for use for the year ending March 31, 2020**	Used during the quarter ended September 30, 2019	Year to date used at quarter-end
<b>Expenses</b>						
<b>Vote 1– Net operating expenditures</b>	<b>2,197,516</b>	<b>588,547</b>	<b>1,081,428</b>	<b>2,119,891</b>	<b>528,362</b>	<b>996,510</b>
<b>Vote 5 – Capital expenditures</b>	<b>209,427</b>	<b>16,250</b>	<b>23,435</b>	<b>194,811</b>	<b>45,756</b>	<b>61,596</b>
<b>Budgetary statutory authorities</b>						
CORCAN gross expenditures	124,334	22,352	40,305	124,339	29,020	54,697
CORCAN revenues	(124,334)	(28,934)	(48,804)	(124,339)	(32,007)	(60,508)
<b>CORCAN net expenditures (revenues)</b>	<b>-</b>	<b>(6,582)</b>	<b>(8,499)</b>	<b>-</b>	<b>(2,987)</b>	<b>(5,811)</b>
Spending of proceeds from the disposal of surplus Crown assets	1,046	-		1,500	7	8
Contributions to employee benefits plans	220,353	55,089	110,177	234,335	58,583	117,167
	<b>221,399</b>	<b>55,089</b>	110,177	<b>235,835</b>	<b>58,590</b>	<b>117,175</b>
<b>Total budgetary authorities</b>	<b>2,628,342</b>	<b>653,304</b>	<b>1,206,541</b>	<b>2,550,537</b>	<b>629,721</b>	<b>1,169,470</b>
<b>Non-budgetary authorities</b>	45	-	(1)	44	-	-
<b>Total authorities</b>	<b>2,628,387</b>	<b>653,304</b>	<b>1,206,540</b>	<b>2,550,581</b>	<b>629,721</b>	<b>1,169,470</b>

More information is available on the following page.

\* Due to COVID-19 and a limited number of sessions in Parliament, authorities available for use at the end of Q2 2020-2021 are significantly reduced to a 9/12th interim supply. In order to provide comparative figures between both quarters, the full amount of CSC's Main Estimates are indicated above. CSC is expected to receive full supply for the 2020-2021 Main Estimates in December 2020.

\*\* Includes Authorities available for use and granted by Parliament at quarter-end.

Note: CORCAN's available drawdown authority at the end of September 2020 was \$20.0M, of which \$2.6M was used, leaving a residual balance available of \$17.4M. In comparison, at the end of September 2019, CORCAN's drawdown authority was \$5.0M, of which none was utilized, and \$9.8M of funding was available.

**Organizational Budgetary Expenditures by Standard Object (unaudited)**

<i>(in thousands of dollars)</i>	<i>Fiscal year 2020-2021</i>			<i>Fiscal year 2019-2020</i>		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended September 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year to date used at quarter-end
<b>Expenditures</b>						
Personnel	1,789,368	448,994	898,494	1,880,991	429,508	864,898
Transportation and communications	29,374	3,679	5,497	24,632	7,108	11,810
Information	835	62	89	621	195	334
Professional and special services	404,691	98,140	144,392	326,782	101,390	158,016
Rentals	23,665	9,019	11,815	18,093	7,366	10,860
Repair and maintenance	29,727	7,861	10,145	23,873	9,908	13,220
Utilities, materials and supplies	163,221	53,278	90,892	120,982	30,930	62,430
Acquisition of land, buildings and works*	169,428	6,705	8,631	130,127	36,654	48,342
Acquisition of machinery and equipment*	36,345	9,048	12,998	61,484	6,059	8,207
Transfer payments	120	115	115	120	539	539
Other subsidies and payments	105,902	45,337	72,277	87,171	32,071	51,322
<b>Total gross budgetary expenditures</b>	<b>2,752,676</b>	<b>682,238</b>	<b>1,255,345</b>	<b>2,674,876</b>	<b>661,728</b>	<b>1,229,978</b>
<b>Less revenues netted against expenditures</b>			-			-
CORCAN	(124,334)	(28,934)	(48,804)	(124,339)	(32,007)	(60,508)
<b>Total revenues netted against expenditures</b>	<b>(124,334)</b>	<b>(28,934)</b>	<b>(48,804)</b>	<b>(124,339)</b>	<b>(32,007)</b>	<b>(60,508)</b>
<b>Total net budgetary expenditures</b>	<b>2,628,342</b>	<b>653,304</b>	<b>1,206,541</b>	<b>2,550,537</b>	<b>629,721</b>	<b>1,169,470</b>

\* These are mainly Vote 5 (Capital) expenditures.