

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED DECEMBER 31, 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 Reports for the quarters ended [June 30, 2020](#) and [September 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 [2020-2021 Departmental Plan](#).

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, 2020¹, a second interim supply was released June 26, 2020², and final supply was released December 14, 2020³. 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 penitentiaries and, for brief periods, after they are released into the community. CORCAN has a continuing

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

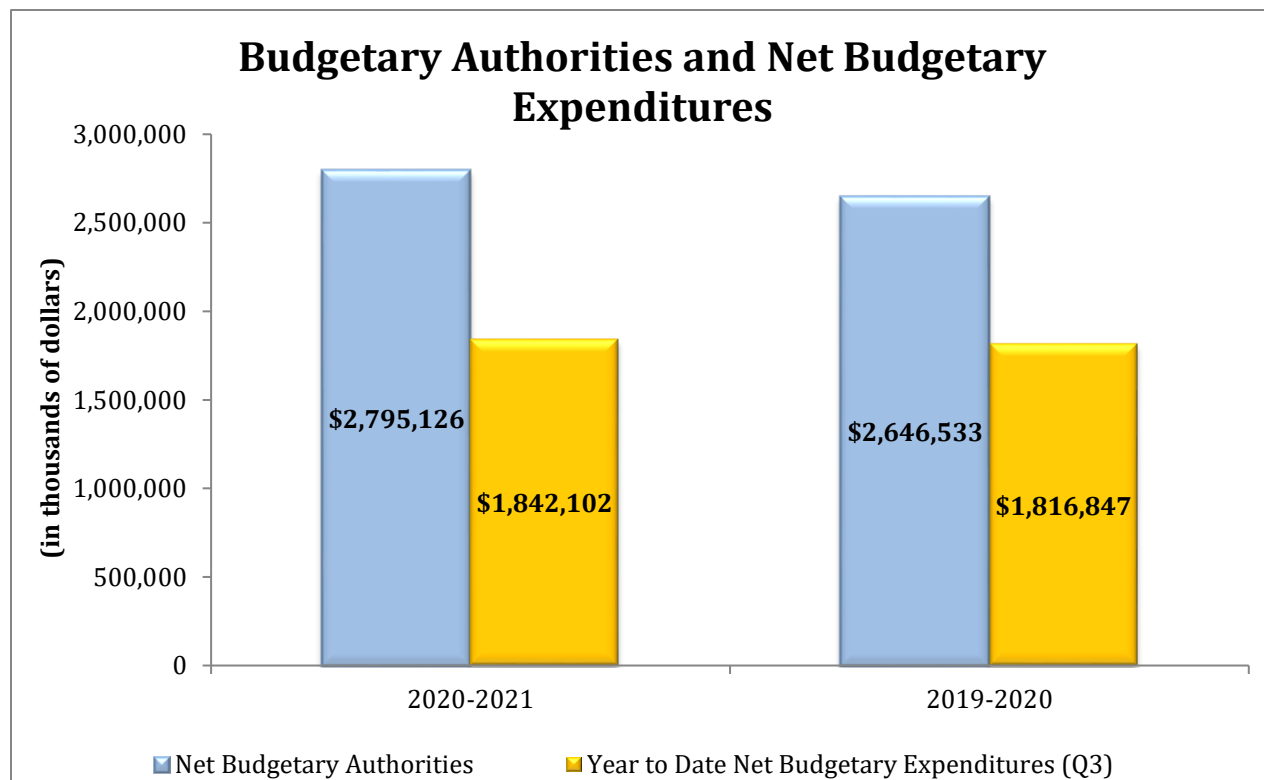
² Released through Order in Council P.C. [2020-509](#).

³ Released through Order in Council P.C. [2020-1080](#).

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), 2020–2021⁴, 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 December 31, 2020 and December 31, 2019 for CSC's combined operating, capital and budgetary statutory authorities.



⁴ Released through Order in Council P.C. [2020-510](#) on June 26, 2020.

Significant Changes to Authorities

As reflected in the [Statement of Authorities](#) for the period ending December 31, 2020, CSC has seen an **increase** in total authorities of **\$148.6 million or 5.6%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$123.1 million or 5.6%** compared to the authorities at the end of December 2019, which is attributed to the net effect of the following items:

- An **increase of \$121.7 million** in funding for *Support for the Correctional Service of Canada* (Budget 2020). In 2019-2020, a corresponding amount of \$95.0 million was approved through Budget 2019 but included in CSC's authorities during the last quarter of the 2019-20 financial year;
- An **increase of \$8.8 million** in quasi-statutory funding related to changes in prices and volume of goods and services being procured;
- An **increase of \$6.5 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$2.7 million** due to a conversion of personnel budget to other operating budget;
- An **increase of \$0.9 million** in the funding received to date from Treasury Board's Vote 30 for Paylist Requirements reimbursements of maternity allowances and severance payments;
- 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 \$4.8 million** in funding from the Operating Budget Carry Forward;
- A **decrease of \$4.1 million** in operating funding related to an internal transfer to adjust authorities to meet the common definition of the capital expenditures vote for cloud computing services⁵;
- A **decrease of \$3.0 million** in operating funding related to an internal transfer to adjust authorities to where funding will be required in relation to the Offender Management System Modernization Project⁵;
- A **decrease of \$0.6 million** related to funding for *Addressing the Needs of Vulnerable Offenders* (Budget 2017); and
- A **decrease of \$0.6 million** related to funding for *Mental Health for Offenders and CORCAN Farms* (Budget 2018).

Capital Vote

CSC's Capital Vote **increased by \$21.7 million or 11.6%** compared to the authorities at the end of December 2019, which is attributed to the net effect of the following items:

- An **increase of \$14.6 million** in funding from the capital budget carry forward;

⁵ A request to transfer funds from capital to operating will be presented to Parliament in the final quarter of the 2020-21 fiscal year through Supplementary Estimates C. Amounts of \$4.5 million for cloud computing and \$4.7 million for the Offender Management System Modernization Project will be included in this request.

- An **increase of \$4.1 million** in capital funding related to an internal transfer to adjust authorities to meet the common definition of the capital expenditures vote for cloud computing services⁶;
- An **increase of \$3.0 million** in capital funding related to an internal transfer to adjust authorities to where funding will be required in relation to the Offender Management System Modernization Project⁶; and
- A **decrease of \$0.01 million** for contributions for the *Back Office Transformation* initiative.

Budgetary Statutory Authorities

CSC's budgetary statutory authorities **increased by \$3.8 million or 1.6%** compared to December 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 \$25.3 million or 1.4%**, mainly due to the following factors:

- Personnel expenditures **increased by \$31.5 million** primarily due to:
 - An **increase of \$28.9 million** in salary:
 - An **increase of \$20.8 million** due to the hiring of new employees for the implementation of *Transforming Federal Corrections* (Bill C-83) and increased rates of pay for salaries compared to the previous fiscal year;
 - An **increase of \$8.1 million** due to the additional hiring of temporary employees to adapt to the impacts of COVID-19;
 - An **increase of \$14.4 million** in overtime expenses mainly due to the COVID-19 response;
 - An **increase of \$5.0 million** for payments to the Workers' Compensation Board, resulting from a delay in invoicing last year;
 - A **decrease of \$11.5 million** in the employer's contributions to the employee benefit plan, which will be adjusted at year-end based on total salary expenditures; and

⁶ A request to transfer funds from capital to operating will be presented to Parliament in the final quarter of the 2020-21 fiscal year through Supplementary Estimates C. Amounts of \$4.5 million for cloud computing and \$4.7 million for the Offender Management System Modernization Project will be included in this request.

- A **decrease of \$5.3 million** for other supplementary personnel costs related to reduced staffing activities at CSC, mainly caused by a decline in new appointments and staff departures between departments due to COVID-19.
- Transportation and communications expenditures **decreased by \$11.8 million** primarily due to:
 - A **decrease of \$9.3 million** in travel in relation to COVID-19 restrictions. Public servant travel expenditures decreased by \$8.1 million, while non-public servant travel expenditures decreased by \$1.2 million; and
 - A **decrease of \$2.5 million** in relocation costs due to COVID-19, caused by a reduction in the recruitment of Correctional Officers and other relocations.
- Professional and special services **decreased by \$2.0 million** primarily due to:
 - An **increase of \$1.7 million** in information technology and telecommunications consultants for various projects;
 - An **increase of \$1.7 million** in legal services;
 - A **decrease of \$4.2 million** in expenditures resulting from reduced funding in support of CORCAN activities. In 2020-21, there were no funds received for farms (Budget 2018) and there was a reduction of funding for the Indigenous Offender Employment Initiative (Budget 2017);
 - A **decrease of \$1.2 million** due to the following impacts of COVID-19:
 - An **increase of \$2.2 million** in contracted building cleaning services;
 - An **increase of \$1.4 million** to reimburse CORCAN for expenditures incurred due to the pandemic;
 - An **increase of \$0.7 million** in information technology and telecommunication consultants;
 - A **decrease of \$4.1 million** in training. Inmate training decreased by \$3.4 million, while employee training decreased by \$0.8 million;
 - A **decrease of \$0.7 million** in health care services / specialists due to work orders which were stopped; and
 - A **decrease of \$0.7 million** in Corps Commissionaire expenditures, mainly associated with delayed constructions projects.
- Rentals **decreased by \$1.8 million** primarily due to delays in receiving invoices compared to last year:
 - A **decrease of \$1.0 million** in license and maintenance fees; and
 - A **decrease of \$0.8 million** in the rental of office buildings, as well as industrial and commercial buildings.
- Repair and maintenance **decreased by \$4.1 million** primarily due to delays in building maintenance work, due to COVID-19 restrictions.
- Utilities, materials and supplies **increased by \$32.9 million** primarily due to:
 - An **increase of \$33.0 million** due to the following impacts of COVID-19:

- An **increase of \$32.0 million** in medical supplies, including personal protective equipment (PPE) purchases;
 - An **increase of \$2.0 million** for food due to price increases and changes in the methods of delivery of meals to inmates;
 - An **increase of \$1.9 million** in cleaning products;
 - A **decrease of \$1.5 million** in personal goods, such as uniforms and other clothing due to the reduction of recruitment of Correctional Officers;
 - A **decrease of \$1.1 million** in expenditures for gasoline, diesel fuel and light fuel oil; and
 - A **decrease of \$0.3 million** in utilities, caused by the reduction of electricity expenditures;
 - An **increase of \$1.7 million** in allowances for footwear, which is paid every second year; and
 - A **decrease of \$1.8 million** in the purchase of Hepatitis C medication, as inventory levels were adequate at mid-year.
- Acquisition of land, buildings and works **decreased by \$61.4 million** primarily due to construction projects that were stopped or delayed, in response to COVID-19 measures.
 - Acquisition of machinery and equipment **increased by \$0.6 million** primarily due to:
 - An **increase of \$2.4 million** due to the replacement of many vehicles and the accompanying configurations costs;
 - An **increase of \$2.2 million** for laptops and other Information Technology equipment, to allow the organization to meet requirements during the pandemic; and
 - A **decrease of \$4.0 million** in other equipment and parts due to electronic security systems projects which have been delayed because of COVID-19.
 - Other subsidies and payments **increased by \$26.7 million** primarily due to:
 - An **increase of \$22.5 million** for the payment of court orders for \$22.2 million and the payment of an out of court settlement for \$0.3 million;
 - An **increase of \$14.0 million** for payments to the Workers' Compensation Board, resulting from a delay in invoicing last year;
 - An **increase of \$4.0 million** in miscellaneous expenditures resulting from COVID-19 measures;
 - A **decrease of \$9.7 million** due to the changes in CORCAN inventory resulting from the COVID-19 pandemic situation;
 - A **decrease of \$4.0 million** associated with salary overpayment corrections; and
 - A **decrease of \$0.1 million** in salary emergency advances.
 - A **net decrease of \$15.5 million** in CORCAN's revenues due to the impacts of COVID-19.

(in millions of dollars)

| Organizational Budgetary Expenditures | Year Over Year | Quarter Over Quarter |
|--|-----------------------|-----------------------------|
| Total Net Budgetary Expenditures 2019-2020 | 1,816.8 | 647.4 |
| Total Net Budgetary Expenditures 2020-2021 | 1,842.1 | 635.6 |
| Variance | 25.3 | (11.8) |
| Explanation of Variances by Standard Object | | |
| Personnel | 31.5 | (2.1) |
| Transportation and communications | (11.8) | (5.5) |
| Professional and special services | (2.0) | 11.7 |
| Rentals | (1.8) | (2.7) |
| Repair and maintenance | (4.1) | (1.0) |
| Utilities, materials and supplies | 32.9 | 4.4 |
| Acquisition of land, buildings and works | (61.4) | (21.7) |
| Acquisition of machinery and equipment | 0.6 | (4.2) |
| Other subsidies and payments | 26.7 | 5.7 |
| CORCAN revenues | 15.5 | 3.8 |
| Other standard objects | (0.8) | (0.2) |
| Total | 25.3 | (11.8) |

Risks and Uncertainties

CSC's [2020-2021 Departmental Plan](#) 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 submitted a request for supplementary funding for critical operating requirements related to COVID-19 and this will be presented for approval through Supplementary Estimates (C), 2020–2021.

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 [2020-2021 Departmental Plan](#), 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 third quarter of 2020-2021, CSC has continued to feel the impact of the COVID-19 pandemic. Many of CSC's operations were modified or temporarily suspended. Operating expenditures have seen 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.

Under the Corrections and Conditional Release Act (CCRA), CSC has an obligation to provide essential health care to inmates. To this effect, we will be vaccinating the inmate population. We have been working closely with the Public Health Agency of Canada (PHAC). We will continue to follow the National Advisory Committee on Immunization (NACI) guidelines and work with our public health partners to support the timely allocation, distribution and administration of the vaccine for staff and offenders under our care as efficiently, equitably and effectively as possible.

CSC is Special Operating Agency (SOA), CORCAN, operates a revolving fund with authority to spend its revenues. Due to the resulting measures around COVID-19, CORCAN has been unable 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.

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.

There have been no changes to key senior personnel in the third quarter of 2020-2021.

Approvals by Senior Officials

Approved by:

Original Signed By _____
Anne Kelly,
Commissioner

Original Signed By _____
Tony Matson,
Chief Financial Officer

Ottawa, Canada
February 19, 2021

Statement of Authorities (unaudited)

| <i>(in thousands of dollars)</i> | Fiscal year 2020-2021 | | | Fiscal year 2019-2020 | | |
|--|---|---|----------------------------------|---|---|----------------------------------|
| | Total available for use at Q3 for the year ending March 31, 2021* | Used during the quarter ended December 31, 2020 | Year to date used at quarter-end | Total available for use at Q3 for the year ending March 31, 2020* | Used during the quarter ended December 31, 2019 | Year to date used at quarter-end |
| Expenses | | | | | | |
| Vote 1– Net operating expenditures | 2,340,532 | 551,934 | 1,633,362 | 2,217,404 | 530,449 | 1,526,959 |
| Vote 5 – Capital expenditures | 209,428 | 23,987 | 47,422 | 187,722 | 49,014 | 110,610 |
| Budgetary statutory authorities | | | | | | |
| CORCAN gross expenditures | 124,334 | 22,461 | 62,766 | 124,339 | 31,039 | 85,736 |
| CORCAN revenues | (124,334) | (17,925) | (66,729) | (124,339) | (21,753) | (82,261) |
| CORCAN net expenditures (revenues) | - | 4,536 | (3,963) | - | 9,286 | 3,475 |
| Spending of proceeds from the disposal of surplus Crown assets | 1,182 | 15 | 15 | 1,743 | 44 | 52 |
| Refunds from previous years | | 1 | 1 | | | |
| Contributions to employee benefits plans | 243,984 | 55,088 | 165,265 | 239,664 | 58,584 | 175,751 |
| | 245,166 | 55,104 | 165,281 | 241,407 | 58,628 | 175,803 |
| Total budgetary authorities | 2,795,126 | 635,561 | 1,842,102 | 2,646,533 | 647,377 | 1,816,847 |
| Non-budgetary authorities | 45 | 0 | (1) | 45 | (1) | (1) |
| Total authorities | 2,795,171 | 635,561 | 1,842,101 | 2,646,578 | 647,376 | 1,816,846 |

More information is available on the following page.

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

Note: CORCAN's available drawdown authority at the end of December 2020 was \$20.0M, of which \$7.0M was used, leaving a residual balance available of \$13.0M. In comparison, at the end of December 2019, CORCAN's drawdown authority was \$5.0M, of which \$4.5M was utilized, leaving a residual balance available of \$0.5M.

Organizational Budgetary Expenditures by Standard Object (unaudited)

| <i>(in thousands of dollars)</i> | Fiscal year 2020-2021 | | | Fiscal year 2019-2020 | | |
|---|---|---|----------------------------------|---|---|----------------------------------|
| | Planned expenditures at Q3 for the year ending March 31, 2021 | Expended during the quarter ended December 31, 2020 | Year to date used at quarter-end | Planned expenditures at Q3 for the year ending March 31, 2020 | Expended during the quarter ended December 31, 2019 | Year to date used at quarter-end |
| Expenditures | | | | | | |
| Personnel | 1,912,986 | 462,488 | 1,360,982 | 1,851,660 | 464,602 | 1,329,500 |
| Transportation and communications | 29,374 | 3,439 | 8,936 | 24,631 | 8,975 | 20,785 |
| Information | 836 | 92 | 181 | 621 | 165 | 499 |
| Professional and special services | 438,901 | 97,430 | 241,822 | 435,943 | 85,779 | 243,795 |
| Rentals | 23,665 | 6,285 | 18,100 | 18,093 | 9,003 | 19,863 |
| Repair and maintenance | 29,727 | 7,142 | 17,287 | 23,873 | 8,138 | 21,358 |
| Utilities, materials and supplies | 172,040 | 36,062 | 126,954 | 142,597 | 31,631 | 94,061 |
| Acquisition of land, buildings and works* | 169,428 | 12,335 | 20,966 | 130,127 | 34,057 | 82,399 |
| Acquisition of machinery and equipment* | 36,481 | 9,782 | 22,780 | 56,036 | 13,951 | 22,158 |
| Transfer payments | 120 | 267 | 382 | 120 | 379 | 918 |
| Other subsidies and payments | 105,902 | 18,164 | 90,441 | 87,171 | 12,450 | 63,772 |
| Total gross budgetary expenditures | 2,919,460 | 653,486 | 1,908,831 | 2,770,872 | 669,130 | 1,899,108 |
| Less revenues netted against expenditures | | | | | | |
| CORCAN | (124,334) | (17,925) | (66,729) | (124,339) | (21,753) | (82,261) |
| Total revenues netted against expenditures | (124,334) | (17,925) | (66,729) | (124,339) | (21,753) | (82,261) |
| Total net budgetary expenditures | 2,795,126 | 635,561 | 1,842,102 | 2,646,533 | 647,377 | 1,816,847 |

* These are mainly Vote 5 (Capital) expenditures.