



Public Services and
Procurement Canada


Services publics et
Approvisionnement Canada

Canada



Quarterly Financial Report

For the quarter ended
December 31, 2021



1. Introduction

This Quarterly Financial Report (QFR) should be read in conjunction with the [Main Estimates](#). It has been prepared by management as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. It has not been subject to an external audit or review.

1.1 Raison d'être

Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. As of November 4, 2015, PWGSC started operating as Public Services and Procurement Canada (PSPC). PSPC plays an important role in the daily operations of the Government of Canada. It supports federal departments and agencies in the achievement of their mandated objectives as their central purchasing agent, real property manager, linguistic authority, treasurer, accountant, pay and pension administrator, and common service provider. The Department's vision is to excel in government operations, and its strategic outcome and mission are to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

A summary description of the Department's core responsibilities can be found in Part II of the [Main Estimates](#).

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting and a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying [Table 1 - Statement of Authorities \(unaudited\)](#) includes the Department's spending authorities granted by Parliament, and those used by the Department are consistent with the Main Estimates for the current fiscal year.

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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The Department 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.

1.3 Public Services and Procurement Canada's financial structure

PSPC provides services to many government departments, agencies and Crown corporations through a variety of funding mechanisms. This includes budgetary authorities that are comprised of voted and statutory authorities, as well as non-budgetary authorities. The voted budgetary authorities include operating expenditures, vote-netted revenues and capital expenditures, while the statutory authorities are mainly composed of revolving funds, employee benefit plans and payments in lieu of taxes (PILT). The non-budgetary authorities consist primarily of the Seized Property Working Capital Account (see description below).

PSPC's complex financial structure may result in significant fluctuations in authorities on a quarterly basis, which are due to timing differences that are resolved by year-end. These are summarized as follows:

- For the most part, PSPC delivers its services on a cost-recovery basis, generating revenues via revolving fund ("the Funds") organizations and programs within the operating vote. These organizations and programs are mainly designed to provide services to other government organizations and are expected to recover the cost of their operations through revenues. However, the costs incurred by the Funds are usually disbursed prior to invoicing the client, which generally occurs upon completion of a project or after services are rendered, and thus revenues may be collected in a subsequent quarter.
- PSPC manages a variety of real property projects that progress through phases from planning to funding and from procurement to construction. Historical trends have shown that expenditures against these projects are not incurred evenly throughout the year; thus, quarter-to-quarter fluctuations are normal. Such projects include the Alaska Highway in British Columbia and Yukon, and the rehabilitation of the Parliamentary Precinct in Ottawa.
- PILT issued by PSPC are funded through a statutory vote and paid on behalf of other participating federal departments. Payments are subsequently recovered from the participating departments and are recorded as statutory grants in the Public Accounts of Canada. Timing fluctuations can occur between the payments and the recoveries from the other departments.
- PSPC also manages seized property for the Government of Canada pursuant to the *Seized Property Management Act*. The financial management of this activity is undertaken through the non-budgetary Seized Property Working Capital Account. Charged to this account are expenditures and advances made to maintain and manage any seized or restrained property. PSPC recovers its costs from this account once the property owner loses the right to the property and it is disposed of.

1.4 COVID-19 pandemic

The COVID-19 pandemic represents a serious global health threat that has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. PSPC has been actively engaged in supporting the Government of Canada's pandemic response, through procurements in response to an unprecedented and urgent demand for personal protective equipment (PPE), COVID-19 testing kits and supplies, vaccines and vaccination supplies and other medical equipment such as ventilators and emergency mobile medical units and beds. PSPC also received funding to operationalize the Essential Services Contingency Reserve to support the provision of PPE for essential services in Canada. COVID-19 will continue to have an impact on PSPC's financial situation for the foreseeable future as the Department continues to play a central role in response and recovery efforts. PSPC secured funding and the required authorities to support these activities and ensure financial sustainability for the Government of Canada's pandemic response.

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

2.1 Significant changes to authorities

When compared to the same quarter of the previous year, **year-to-date PSPC authorities available for use decreased by \$429.7 million** (\$5,660.9 million in Q3 of the fiscal year ending March 31, 2021 compared to \$5,231.2 million in Q3 of the fiscal year ending March 31, 2022) as reflected in [Table 1– Statement of authorities \(unaudited\) – For the quarter ended December 31, 2021 \(in thousands of dollars\)](#). Major reasons for the decrease are outlined below:

Year-over-year variances in authorities available for use (in millions of dollars)

Initiatives	Operating	Capital	Budgetary Statutory Authorities	Total Variance
Planning and Investment in PSPC's Assets Portfolio	(53.7)	45.8	-	(7.9)
Revolving Funds	-	-	(22.0)	(22.0)
E-Procurement Solution	(49.3)	-	(0.4)	(49.7)
Supplies for the Health System (COVID-19)	261.7	-	(600.0)	(338.3)
Other	(6.3)	0.1	(5.6)	(11.8)
Cumulative variance in authorities available for use	152.4	45.9	(628.0)	(429.7)

Groupings can change between quarters due to materiality of initiatives.
Amounts may not balance with other public documents due to rounding.

The **cumulative decrease of \$429.7 million** from the third quarter of the fiscal year ending March 31, 2021 can be explained by:

Planning and Investment in PSPC's Assets Portfolio – decrease of \$7.9 million

The net decrease reflects the Department's current funding approval to plan and deliver on its capital funding plan. The Department will seek additional funding as required in order to maintain the quality of its infrastructure for the benefit of all Canadians.

Revolving Funds – decrease of \$22.0 million

The decrease is mainly due to a reduction in investment requirements for the Workplace Renewal Initiative (WRI) within the Real Property Services Revolving Fund as well as GClingua, which is a linguistic services request management platform within the Translation Bureau Revolving Fund.

E-Procurement Solution – decrease of \$49.7 million

The decrease is mainly due to reduced funding requirements given the current stage of the project, which is a cloud-based Electronic Procurement Solution within PSPC and an initiative from Budget 2018 to make purchasing simpler and easier to access.

Supplies for the Health System (COVID-19) – decrease of \$338.3 million

The decrease is due to the reduction in funding requirements to support the Government of Canada's response to the COVID-19 pandemic when compared to the previous fiscal year.

Other – decrease of \$11.8 million

The decrease is the result of funding variances in miscellaneous projects and activities such as a reduction in Workers' Compensation costs related to former Cape Breton Development Corporation employees as well as transfers between departments.

2.2 Significant changes to year-to-date net expenditures

As presented in [Table 2 - Departmental budgetary expenditures by standard object \(unaudited\)](#), **year-to-date total net budgetary expenditures have decreased by \$218.1 million** as compared to the same quarter of the previous year (\$3,012.8 million in the current fiscal year compared to \$3,230.9 million in the previous fiscal year).

Overall, total spending at the end of the third quarter represents 58% of annual planned expenditures for the current fiscal year compared to 57% for the third quarter of the previous year.

Year-over-year variances in net budgetary expenditures (presented by standard object) (in millions of dollars)

Standard Object	December 31, 2021 Year-to-date used at quarter end	December 31, 2020 Year-to-date used at quarter end	Year-over-year variance
Personnel	1,306.6	1,194.4	112.2
Transportation and communications	44.8	75.7	(30.9)
Information	6.7	7.1	(0.4)
Professional and special services	1,332.4	1,190.9	141.5
Rentals	963.3	887.4	75.9
Repair and maintenance	680.4	643.5	36.9
Utilities, materials and supplies	249.8	430.7	(180.9)
Acquisition of land, buildings and works	445.1	477.3	(32.2)
Acquisition of machinery and equipment	47.9	57.1	(9.2)
Transfer payments	76.6	145.5	(68.9)
Public Debt charges	85.0	88.5	(3.5)
Other subsidies and payments	254.5	223.7	30.8
Revenues netted against expenditures	(2,480.3)	(2,190.9)	(289.4)
Total net budgetary expenditures	3,012.8	3,230.9	(218.1)

Comparative figures have been reclassified to conform to the current year's presentation.
Amounts may not balance with other public documents due to rounding.

The year-over-year **net decrease of \$218.1 million** is mainly attributable to:

Personnel – increase of \$112.2 million

- The increase is due to:
 - Increase in the workforce across departmental programs to meet business demands resulting in increased wages and employee benefit plan costs; and
 - Higher pay rates following the ratification of various collective agreements in the previous year.

Transportation and communications – decrease of \$30.9 million

- The decrease is mainly due to:
 - Decrease in COVID-19 procurement, which resulted in a reduction in transportation and logistics services costs; and
 - Reduction in postage fees related to a decline in payments issued to individuals and businesses for COVID-19 programs put in place in the previous year to alleviate the effects of the pandemic that are now winding down.

Professional and special services – increase of \$141.5 million

- The increase is mainly due to:
 - Construction of the Biologics Manufacturing Centre (Royalmount Avenue site) in response to COVID-19;
 - Energy Services Acquisition Program, including the User Building Conversion Plan projects;
 - St. Andrews Lock and Dam Bridge Deck Replacement project and Alaska Highway road resurfacing projects;
 - Pathfinder project, which supports the evolution of the workplace in preparation for the eventual and gradual re-opening of federal workspaces;
 - Pay-related projects such as the Accelerator project for designing a new operating model at the Pay Centre and the Innovation Challenge project to use robotic process automation for routine/repetitive tasks;
 - Translation and interpretation contracts returning to pre-pandemic volumes;
 - Professional labour cost and legal services billings occurring earlier this fiscal year; and
 - Various construction and retrofit projects.
- This increase was partially offset by reduced services for various initiatives under the Digital Services Branch, a decrease in pandemic-related procurement, and completion of the PeopleSoft 9.2 project.

Rentals – increase of \$75.9 million

- The increase is due to:
 - New leases signed and rent increases as well as cost increases for renewal of leases, real estate tax and utilities as compared to previous year;
 - Rent payments paid earlier in the year compared to previous year;
 - Purchase of Oracle and SAP software licenses and other annual software subscriptions; and
 - Change in accounting treatment for the National Accommodation Program and building insurance recovered from other government departments, which are now under the responsibility of the Real Property Services Revolving Fund.

Repair and maintenance – increase of \$36.9 million

- The increase is due to:
 - Projects occurring earlier in the current year whereas, last fiscal year, construction activities and projects were delayed due to COVID-19 pandemic restrictions;
 - Alaska Highway projects and Kwikwexwelhp Healing Lodge access road repair project in British Columbia; and
 - Retrofit costs for Arthur Meighen Building in Toronto.
- The increase was offset mainly by the completion of the Carling Campus project in the previous fiscal year.

Utilities, materials and supplies – decrease of \$180.9 million

- The decrease is due to a significant reduction in procurement related to the COVID-19 pandemic.

Acquisition of land, buildings and works – decrease of \$32.2 million

- The decrease is due to:
 - Significant costs incurred in the previous year compared to this fiscal year, mainly for the Trent-Severn Waterway project with Parks Canada Agency; and
 - Acquisition of land for the Courts Administration Service in the previous year.
- The decrease was partially offset by:
 - Various construction projects in the Western region including St. Andrews Lock and Dam Bridge Deck Replacement, the Eureka Runway Recapitalization and Eureka Water and Sewage Treatment System as well as the Arthur Meighen Building Rehabilitation and the new federal building in Shawinigan; and
 - Acquisition of office buildings in Ottawa from the National Capital Commission.

Acquisition of machinery and equipment – decrease of \$9.2 million

- The decrease is due to the completion of projects in the National Capital and Western regions and the North Landing Wharf substation replacement project in Victoria, British Columbia.
- This decrease was partially offset by various small retrofit projects.

Transfer payments – decrease of \$68.9 million

- The decrease is due to a timing difference between when a payment in lieu of taxes is issued and when the cost is recovered from other government departments.

Other subsidies and payments – increase of \$30.8 million

- The increase is mainly due to the timing difference between the receipt and payment of invoices compared to the previous year such as the payments in lieu of taxes for PSPC-owned buildings and Shared Services Canada invoicing.

Other standard objects – decrease of \$3.9 million

- The decrease is attributable to minor changes in expenditures related to day-to-day operations.

Revenues netted against expenditures – increase of \$289.4 million

- The increase is due to:
 - Improved revenue collection occurring earlier in the fiscal year (no longer delayed by the COVID-19 pandemic);

- Growth in revenues from construction projects with other government departments such as the Biologics Manufacturing Centre (Royalmount Avenue site), runway surfacing project at Kuujuaq airport, Giant Mine Remediation project and construction of a new hangar for Canada Border Services Agency;
- Revenue from services provided to other government departments for digital support and software licenses;
- Growth in revenues from translation services returning to pre-pandemic business volumes;
- Timing difference between when vaccines (non-COVID) were delivered and revenues collected, as well as a growth in revenues collected for influenza vaccines distributed to provinces and territories; and
- Increase in salaries and operating costs, which impacted amounts invoiced to other government departments.

3. Risks and uncertainties

PSPC integrates risk management principles into business planning, decision-making and organizational processes to minimize negative impacts and maximize opportunities across our diverse range of services and operations. Risk management at PSPC is carried out in accordance with the Treasury Board Secretariat's Framework for the Management of Risk, the Management Accountability Framework, and PSPC's Integrated Risk Management Framework.

The following key risks were identified as having a potential financial impact on PSPC's operations:

- PSPC's dependency on clients' expenditures: More than half of PSPC's financial and human resources are tied directly to cost-recovered services and activities. In a context of reduced expenditures on the part of client departments and agencies, there is a risk that PSPC could face unpredictable and reduced business volumes and associated reduced resources. In response to this risk, PSPC continually adjusts to fluctuations in operational demands while maintaining the quality of its services. This includes sustaining rigorous management of revenues, expenditures, forecasting and commitment monitoring, and working closely with other departments through the client service network to identify changing requirements and their impacts on the Department.
- PSPC's ability to undertake and deliver complex, transformational and interdepartmental major projects and procurements: There are inherent risks in PSPC undertaking and delivering complex, transformational and interdepartmental major projects and procurements on time, within the approved budget and according to scope, which could ultimately have an impact on the Department's service strategy. In order to address these risks, PSPC has implemented disciplined investment and project management processes, established service agreements and service standards with clear identification of responsibilities, ensured sound contract management, engaged early with client departments and other stakeholders, and developed the departmental Investment Plan (IP).
- In 2016, the Department implemented a new pay system as part of the Pay Transformation Initiative. The implementation was a major undertaking that experienced challenges. There is a risk that the ongoing stabilization of pay administration for the Government of Canada will be slowed down,

impacting the timeliness and accuracy of employee pay, the transfer of accurate pay data to pension, and the ability for the Department to continue resolving existing pay errors.

- The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption globally resulting in an economic slowdown. While the pandemic has been ongoing for some time now, the duration and impact of the COVID-19 outbreak is still unknown at this time. As a result, it is not possible to reliably estimate the length and severity of the impact on PSPC's financial results in future periods.

4. Significant changes to operations, personnel and programs

There were no significant changes to operations and programs during the third quarter ended December 31, 2021.

The Prime Minister announced the appointment of the Honourable Filomena Tassi as Minister of Public Services and Procurement, effective October 26, 2021.

Following the end of the third quarter, the Prime Minister announced the appointment of Paul Thompson as Deputy Minister of Public Services and Procurement, effective January 11, 2022.

Approved by:

The original version was signed by

Paul Thompson
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
March 1, 2022

The original version was signed by

Wojo Zielonka
Assistant Deputy Minister and
Chief Financial Officer
Public Services and Procurement Canada

Gatineau, Canada
March 1, 2022

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended December 31, 2021	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2021 1) 2)	Used during the quarter ended December 31, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,758,954	1,009,667	3,007,085	4,519,196	1,019,072	2,852,016
Vote-netted revenues	(1,320,046)	(382,396)	(1,040,805)	(1,232,682)	(343,245)	(906,164)
Net operating expenditures	3,438,908	627,271	1,966,280	3,286,514	675,827	1,945,852
Vote 5 - Capital expenditures	1,633,060	316,155	773,379	1,587,144	310,924	715,269
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,066,333	533,126	1,239,119	2,174,293	479,845	1,146,631
Revenues	(2,062,171)	(541,238)	(1,151,196)	(2,155,385)	(476,080)	(1,044,731)
Net expenditures	4,162	(8,112)	87,923	18,908	3,765	101,900
Translation Bureau Revolving Fund						
Gross expenditures	159,497	44,331	125,658	172,866	45,214	114,055
Revenues	(156,129)	(37,776)	(107,142)	(162,322)	(40,895)	(97,083)
Net expenditures	3,368	6,555	18,516	10,544	4,319	16,972
Optional Services Revolving Fund						
Gross expenditures	178,789	128,828	161,584	173,488	112,949	141,146
Revenues	(178,860)	(130,144)	(181,108)	(173,488)	(113,841)	(142,870)
Net expenditures	(71)	(1,316)	(19,524)	-	(892)	(1,724)
Total of all revolving funds						
Gross expenditures	2,404,619	706,285	1,526,361	2,520,647	638,008	1,401,832
Revenues	(2,397,160)	(709,158)	(1,439,446)	(2,491,195)	(630,816)	(1,284,684)
Total revolving fund net expenditures	7,459	(2,873)	86,915	29,452	7,192	117,148

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended December 31, 2021	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2021 1) 2)	Used during the quarter ended December 31, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	151,129	36,511	109,533	157,140	28,878	86,635
Minister of PSP salary and motor car allowance	91	23	68	89	22	67
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	541	4	14	579	-	282
Collection agency fees	-	-	-	-	-	-
Payments to provide supplies for the health system	-	-	-	600,000	25,817	220,006
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	(11,883)	76,640	-	14,848	145,660
Total other budgetary statutory authorities	151,761	24,655	186,255	757,808	69,565	452,650
Total budgetary authorities	5,231,188	965,208	3,012,829	5,660,918	1,063,508	3,230,919
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	5,231,188	965,208	3,012,829	5,660,918	1,063,508	3,230,919

Net decrease of \$429.7 million

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Total available for use for the year", for both fiscal years ending March 31, 2022 and March 31, 2021, under "PILT", is presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.

Table 2 – DEPARTMENTAL BY BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Planned expenditures for the year ending March 31, 2022 1) 2)	Expended during the quarter ended December 31, 2021	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2021 1) 2)	Expended during the quarter ended December 31, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,655,096	431,156	1,306,552	1,590,716	409,525	1,194,420
Transportation and communications	98,550	17,581	44,755	84,872	3,449	75,700
Information	20,706	3,244	6,740	15,939	2,895	7,110
Professional and special services	2,262,755	600,980	1,332,370	2,170,897	547,178	1,190,918
Rentals	1,292,256	351,715	963,304	1,110,012	297,146	887,414
Repair and maintenance	1,284,606	240,168	680,425	1,650,523	255,371	643,540
Utilities, materials and supplies	913,519	152,705	249,769	1,291,344	189,195	430,665
Acquisition of land, buildings and works	656,836	201,131	445,133	646,530	204,453	477,311
Acquisition of machinery and equipment	200,752	(12,400)	47,932	196,662	24,445	57,052
Transfer payments ²⁾	-	(11,883)	76,640	-	14,847	145,450
Public Debt charges	93,082	28,135	84,993	123,798	29,750	88,492
Other subsidies and payments	470,236	54,230	254,467	503,502	59,315	223,695
Total gross budgetary expenditures	8,948,394	2,056,762	5,493,080	9,384,795	2,037,569	5,421,767
Less revenues netted against expenditures						
Revolving funds revenues	(2,397,160)	(709,158)	(1,439,446)	(2,491,195)	(630,816)	(1,284,684)
Vote-netted revenues	(1,320,046)	(382,396)	(1,040,805)	(1,232,682)	(343,245)	(906,164)
Total revenues netted against expenditures	(3,717,206)	(1,091,554)	(2,480,251)	(3,723,877)	(974,061)	(2,190,848)
Total net budgetary expenditures	5,231,188	965,208	3,012,829	5,660,918	1,063,508	3,230,919

Net decrease of \$218.1 million

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Total available for use for the year", for both fiscal years ending March 31, 2022 and March 31, 2021, under "PILT", is presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.