



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada

Quarterly Financial Report

For the quarter ended
September 30, 2022

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. Its mission is to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

Further details on the Department's authority, mandate and core responsibilities can be found in Part II of the [Main Estimates](#) and in the [2022-23 Departmental Plan](#).

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. Throughout the pandemic, PSPC has been actively engaged in supporting the Government of Canada's 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. After more than two years into the COVID-19 pandemic, protecting the health and safety of Canadians remains a priority for the Government of Canada. As such, PSPC will continue to play a central role in response and post-pandemic recovery efforts.

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 \$522.6 million** (\$4,698.3 million in the second quarter of the fiscal year ending March 31, 2023 compared to \$5,220.9 million in the second quarter of the fiscal year ending March 31, 2022) as reflected in [Table 1–Statement of authorities \(unaudited\) – For the quarter ended September 30, 2022 \(in thousands of dollars\)](#). 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
Price and Volume Protection	104.8	-	-	104.8
Procurement Initiatives	24.9	-	5.8	30.7
Government of Canada's Pay System	15.7	-	3.2	18.9
Planning and Investment in PSPC's Assets Portfolio	21.4	(22.5)	1.0	(0.1)
Card Acceptance and Postage Fees	(5.8)	-	-	(5.8)
Transfer to Shared Services Canada for Enterprise Services	(8.1)	-	-	(8.1)
Supplies for the Health System (COVID-19)	(661.7)	-	-	(661.7)
Other	4.8	-	(6.1)	(1.3)
Cumulative variance in authorities available for	(504.0)	(22.5)	3.9	(522.6)

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 \$522.6 million** from the second quarter of the fiscal year ending March 31, 2022 can be explained by:

Price and Volume Protection – increase of \$104.8 million

The increase is a result of funding received for protection from inflation and price variations relating to space requirements for real property elements over which PSPC has very little or no control such as rent, cost of utilities and accommodations costs.

Procurement Initiatives – increase of \$30.7 million

As announced in Budget 2021, the funding will allow PSPC to continue to modernize federal procurement and create opportunities for specific communities by diversifying the federal supplier base. The funding will also ensure that PSPC is adequately prepared to support the Canadian Coast Guard and the Canadian Armed Forces as they both continue to deliver defence and marine procurement projects via Canada's Defence Policy and the National Shipbuilding Strategy.

Government of Canada's Pay System – increase of \$18.9 million

The increase mainly relates to timing of funding to support pay stabilization and to reduce the backlog of pay transactions for the Government of Canada.

Planning and Investment in PSPC's Assets Portfolio – decrease of \$0.1 million

The decrease reflects the Department's current funding approval to plan and deliver on its capital plan and will ensure that PSPC maintains the quality of its infrastructure for the benefit of all Canadians.

Card Acceptance and Postage Fees – decrease of \$5.8 million

The decrease is due to the end of incremental funding received for card acceptance and postage fees. Funding will be adjusted should future approvals be received.

Transfer to Shared Services Canada for Enterprise Services – decrease of \$8.1 million

The decrease is due to the transfer of resources to Shared Services Canada to support the Enterprise Service Model for government Information Technology services such as software, hardware, mainframe and telephony services, as announced in Budget 2021.

Supplies for the Health System (COVID-19) – decrease of \$661.7 million

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

Other – decrease of \$1.3 million

The decrease is the result of funding variances in miscellaneous projects and activities, such as the permanent reduction in departments' travel budgets announced in Budget 2021.

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 increased by \$241.1 million** as compared to the same quarter of the previous year (\$2,288.7 million in the current fiscal year compared to \$2,047.6 million in the previous fiscal year).

Overall, total spending at the end of the second quarter represents 49% of annual planned expenditures for the current fiscal year compared to 39% for the second quarter of the previous year.

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

Standard Object	September 30, 2022 Year to date used at quarter end	September 30, 2021 Year to date used at quarter end	Year-over-year variance
Personnel	880.2	875.4	4.8
Transportation and communications	26.5	27.2	(0.7)
Information	6.1	3.5	2.6
Professional and special services	759.9	731.4	28.5
Rentals	638.4	611.6	26.8
Repair and maintenance	720.0	440.3	279.7
Utilities, materials and supplies	86.1	97.0	(10.9)
Acquisition of land, buildings and works	238.5	244.0	(5.5)
Acquisition of machinery and equipment	26.3	60.3	(34.0)
Transfer payments	88.0	88.5	(0.5)
Public Debt charges	55.9	56.9	(1.0)
Other subsidies and payments	190.1	200.2	(10.1)
Revenues netted against expenditures	(1,427.3)	(1,388.7)	(38.6)
Total net budgetary expenditures	2,288.7	2,047.6	241.1

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 increase of \$241.1 million** is mainly attributable to:

Professional and special services – increase of \$28.5 million

- The increase is mainly due to:
 - Remediation projects for the Faro Mine in the Yukon and the Giant Mine in the Northwest Territories for Crown-Indigenous Relations and Northern Affairs Canada;
 - Payments occurring earlier for services provided by Shared Services Canada; and
 - Overall resumption of real property projects that were either stopped or delayed due to the COVID-19 pandemic.
- This increase was partially offset by the Biologics Manufacturing Centre (Royalmount Avenue site) and other construction projects completed in the 2021-22 fiscal year.

Rentals – increase of \$26.8 million

- The increase is due to:
 - Expenditures for Oracle licenses being reclassified from “Acquisition of machinery and equipment” to “Rentals” in the third quarter of the previous fiscal year;
 - Acquisition of commercial off-the-shelf software; and
 - Step rent increases as well as cost increases for the renewal of leases, utilities and other operating expenses.

Repair and maintenance – increase of \$279.7 million

- The increase is due to:
 - Energy Services Acquisition Program projects in central heating and cooling plants and work starting on the Modernized Gatineau Energy Centre;
 - Alaska Highway projects for drainage repairs and improvements;
 - Cap-aux-Meules consolidation and wharf extension project for Transport Canada moving into construction phase; and
 - Projects for both PSPC and other government departments have increased as compared to the previous fiscal year since projects were delayed due to the COVID-19 pandemic.

Utilities, materials and supplies – decrease of \$10.9 million

- The decrease is due to a reduction in procurement related to the COVID-19 pandemic for items such as PPE and mobile medical units.
- This decrease was offset by an increase in orders for the herpes zoster vaccine (Shingrix) as well as a general increase in demand and pricing for other vaccines.

Acquisition of machinery and equipment – decrease of \$34.0 million

- The decrease is due to:
 - Integrated Financial and Materiel System as well as FreeBalance program expenses transferred to the Treasury Board of Canada Secretariat; and
 - Expenditures for Oracle licenses being reclassified from “Acquisition of machinery and equipment” to “Rentals” in the third quarter of the previous fiscal year noted above.
- The decrease is offset by an increase in purchases of hardware and software.

Other subsidies and payments – decrease of \$10.1 million

- The decrease is mainly due to:
 - Timing difference between the receipt and payment of invoices as compared to the previous year for payments in lieu of taxes for PSPC-owned buildings; and
 - The disposal of land and buildings resulting in the reduction of payments in lieu of taxes in the current year.
- The decrease is offset by the timing difference for the payment of fees related to point-of-sale transactions and an increase in costs for Cheque Image Exchange services.

Other standard objects – decrease of \$0.3 million

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

Revenues netted against expenditures – increase of \$38.6 million

- The increase is due to:
 - Increase in the number of projects managed by Real Property Services Revolving Fund as well as projects for other government departments progressing to the construction stage this fiscal year;
 - Increased frequency of billings for real property projects; and
 - Increase in orders for the herpes zoster vaccine (Shingrix) in the second quarter of the current fiscal year as well as a general increase in demand and pricing for other vaccines.
- The increase is partially offset by:
 - Winding down of the Parks Canada project to rehabilitate the Trent-Severn Waterway and Rideau Canal; and
 - Reduced revenues following the transfer of the Integrated Financial and Materiel System as well as FreeBalance program to the Treasury Board of Canada Secretariat.

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 as well as developing and implementing client onboarding strategies.
- PSPC's ability to undertake and deliver complex, transformational and interdepartmental major projects and procurements: There is a risk that project complexities, supply delays and escalating costs of material will affect the effective and efficient delivery of major PSPC initiatives, including the rehabilitation of the Parliamentary Precinct and federal science facilities as well as procurement modernization initiatives. In response, PSPC is utilizing built-in risk management processes with a strong focus on schedules and budgets, designing contracts with built-in flexibility, establishing service agreements and service standards with clear identification of responsibilities, and working with industry partners and stakeholders.

- Predictable capital funding: There is a risk that the implementation of PSPC's predictable capital funding model will disrupt the delivery of the Department's infrastructure programs, and will impact the timely and strategic fund allocation needed to ensure a healthy asset portfolio. This capital funding model provides PSPC with secured funding over a 20-year period, to be used to acquire and maintain capital assets such as buildings, bridges and federal laboratories, and to further enhance long-term planning. This risk is influenced by factors such as limited experience with this new funding model, and a need for more closely aligned departmental resource planning processes. PSPC has established a dedicated project office to manage the transition to the new funding model and support the mitigation of its associated risks.
- 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. To mitigate this risk, PSPC has already taken a number of concrete steps. PSPC is continuing to work with the Treasury Board of Canada Secretariat, departments and agencies to develop and implement new timeliness and accuracy standards for human resources transactions, and completed the government-wide roll-out of MyGCPay's recently added functionality.
- The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. As the central purchaser for the Government of Canada, there is a risk that PSPC would face challenges in continuing to procure critical goods and services needed to support the Government of Canada's response to the COVID-19 pandemic and the recovery efforts toward a safe and open economy. To mitigate this risk, PSPC incorporated flexibility in contracts and procurement instruments so that supply could be ramped up and down as needed to respond to further waves in the COVID-19 pandemic.

4. Significant changes to operations, personnel and programs

There were no significant changes to operations and programs during the second quarter ended September 30, 2022.

The Prime Minister announced the appointment of the Honourable Helena Jaczek as Minister of Public Services and Procurement Canada, effective August 31, 2022.

The original version was approved and signed by

Paul Thompson
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
November 29, 2022

The original version was approved and signed by

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

Gatineau, Canada
November 29, 2022

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2023			Fiscal year ending March 31, 2022		
	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended September 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,254,830	1,079,333	1,970,689	4,748,885	1,101,112	1,997,418
Vote-netted revenues	(1,330,000)	(426,004)	(641,436)	(1,320,046)	(377,013)	(658,409)
Net operating expenditures	2,924,830	653,329	1,329,253	3,428,839	724,099	1,339,009
Vote 5 - Capital expenditures	1,610,417	512,087	688,255	1,632,969	290,315	457,224
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,478,069	486,795	764,006	2,066,333	417,016	705,993
Revenues	(2,479,911)	(480,215)	(637,628)	(2,062,171)	(431,891)	(609,958)
Net expenditures	(1,842)	6,580	126,378	4,162	(14,875)	96,035
Translation Bureau Revolving Fund						
Gross expenditures	177,701	41,404	73,957	159,497	42,577	81,327
Revenues	(170,349)	(37,831)	(67,934)	(156,129)	(38,639)	(69,366)
Net expenditures	7,352	3,573	6,023	3,368	3,938	11,961
Optional Services Revolving Fund						
Gross expenditures	262,724	30,107	52,779	178,789	25,615	32,756
Revenues	(262,401)	(32,781)	(80,331)	(178,860)	(20,153)	(50,964)
Net expenditures	323	(2,674)	(27,552)	(71)	5,462	(18,208)
Total of all revolving funds						
Gross expenditures	2,918,494	558,306	890,742	2,404,619	485,208	820,076
Revenues	(2,912,661)	(550,827)	(785,893)	(2,397,160)	(490,683)	(730,288)
Total revolving fund net expenditures	5,833	7,479	104,849	7,459	(5,475)	89,788

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2023			Fiscal year ending March 31, 2022		
	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended September 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	156,456	39,114	78,228	151,129	36,511	73,022
Minister of PSP salary and motor car allowance	92	23	46	91	22	45
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	697	7	7	477	10	10
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	(175,031)	88,035	-	(185,513)	88,523
Total other budgetary statutory authorities	157,245	(135,887)	166,316	151,697	(148,970)	161,600
Total budgetary authorities	4,698,325	1,037,008	2,288,673	5,220,964	859,969	2,047,621
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	4,698,325	1,037,008	2,288,673	5,220,964	859,969	2,047,621

Net decrease of \$522.6 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, 2023 and March 31, 2022, 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, 2023			Fiscal year ending March 31, 2022		
	Planned expenditures for the year ending March 31, 2023 1) 2)	Expended during the quarter ended September 30, 2022	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2022 1) 2)	Expended during the quarter ended September 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,783,238	448,651	880,198	1,644,936	443,099	875,396
Transportation and communications	85,538	14,890	26,538	98,550	11,474	27,174
Information	18,506	3,009	6,127	20,706	1,437	3,496
Professional and special services	2,368,928	501,575	759,913	2,262,755	445,330	731,390
Rentals	1,326,390	320,437	638,423	1,292,256	315,348	611,589
Repair and maintenance	1,334,742	516,512	719,996	1,284,606	266,238	440,257
Utilities, materials and supplies	369,482	52,189	86,081	913,519	54,594	97,064
Acquisition of land, buildings and works	938,077	158,706	238,476	656,836	148,406	244,002
Acquisition of machinery and equipment	171,922	18,364	26,282	200,752	47,019	60,332
Transfer payments ²⁾	-	(175,031)	88,035	-	(185,514)	88,523
Public Debt charges	130,224	27,511	55,858	93,082	28,294	56,858
Other subsidies and payments	413,939	127,026	190,075	470,172	151,940	200,237
Total gross budgetary expenditures	8,940,986	2,013,839	3,716,002	8,938,170	1,727,665	3,436,318
Less revenues netted against expenditures						
Revolving funds revenues	(2,912,661)	(550,827)	(785,893)	(2,397,160)	(490,683)	(730,288)
Vote-netted revenues	(1,330,000)	(426,004)	(641,436)	(1,320,046)	(377,013)	(658,409)
Total revenues netted against expenditures	(4,242,661)	(976,831)	(1,427,329)	(3,717,206)	(867,696)	(1,388,697)
Total net budgetary expenditures	4,698,325	1,037,008	2,288,673	5,220,964	859,969	2,047,621

Net increase of \$241.1 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, "Planned expenditures for the year" for both fiscal years ending March 31, 2023 and March 31, 2022, under "Transfer payments", are 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.