

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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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, 2023](#). 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 2023-2024](#).

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 2023-2024 fiscal year for which the interim supply was released on March 30, 2023¹ and the full supply was released June 23, 2023². 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 a cash 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 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

¹ Released through Order in Council P.C. [2023-0295](#).

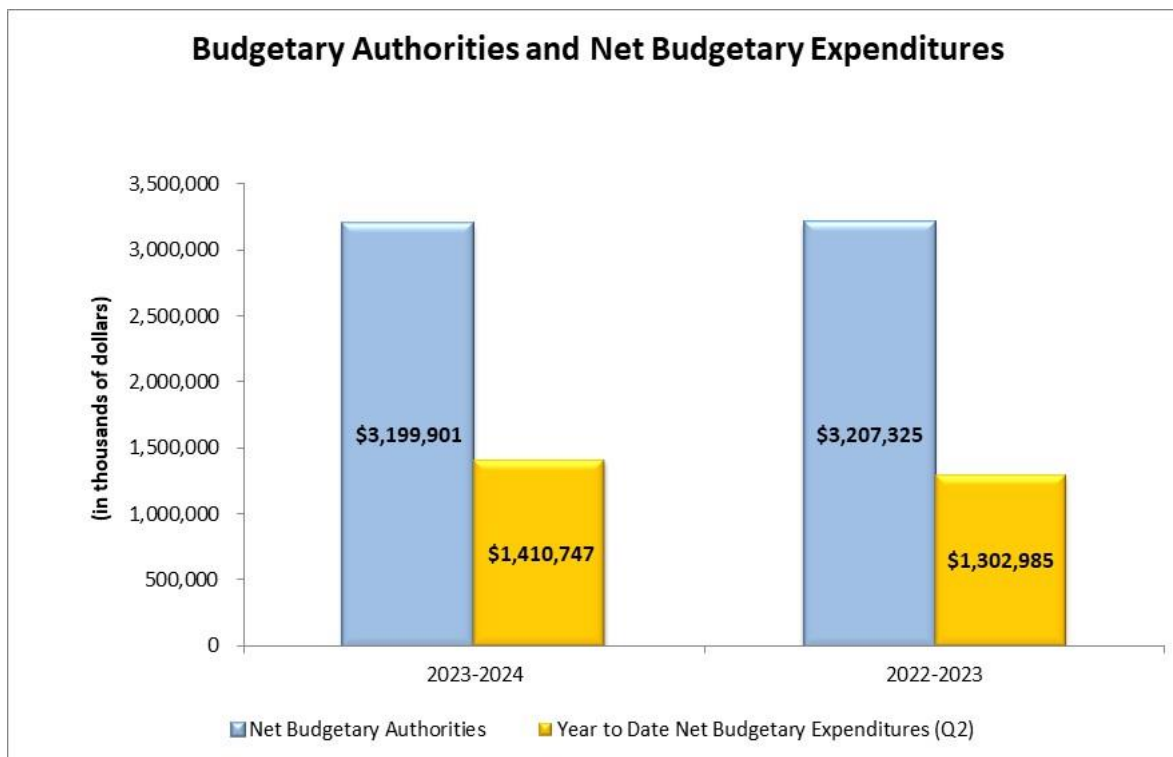
² Released through Order in Council P.C. [2023-0698](#).

of which is not to exceed \$20.0 million at any time. Through Supplementary Estimates (A), 2020–2021³, 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. The limit will gradually decrease until fiscal year 2025-26, at which point it will return to the original \$5.0 million threshold.

CSC also has a Vote Netted Revenue (VNR) authority in place, currently only being utilised for transactions with the Parole Board of Canada (PBC). The total VNR authority for 2023-24 is \$3.9 million, which allows CSC to bill PBC for information management and information technology services on a full incremental cost recovery basis. Throughout this report, the VNR authorities are netted with CSC's vote 1 operating authorities.

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, 2023 and September 30, 2022 for CSC's combined operating, capital and budgetary statutory authorities.



³ 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 September 30, 2023, CSC has seen a **decrease** in total authorities of **\$7.4 million or 0.2%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote is **constant** compared to the authorities at the end of September 2022, which is attributed to the net effect of the following items:

- An **increase of \$14.2 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$11.8 million** in quasi statutory funding related to changes in prices (inflation) and volume of goods and services being procured;
- An **increase of \$9.8 million** in funding to support pressures related to COVID-19;
- An **increase of \$3.4 million** related to compensation for the funded portion of collective agreement increases;
- A **decrease of \$22.8 million** related to funding for class action lawsuits;
- A **decrease of \$15.2 million** related to funding from the Operating Budget Carry Forward;
- A **decrease of \$1.1 million** related to the reprofile of unused 2020-21 funding which was earmarked for the Innovative Solutions Canada initiative; and
- A **decrease of \$0.1 million** in funding for the *Federal Contaminated Sites Action Plan*.

Capital Vote

CSC's Capital Vote **decreased by \$12.1 million or 4.6%** compared to the authorities at the end of September 2022, which is attributed to the net effect of the following items:

- An **increase of \$4.1 million** related to funding from the Capital Budget Carry Forward; and
- A **decrease of \$16.2 million** related to the reprofile of unused 2020-21 funding for the completion of capital projects.

Budgetary Statutory Authorities

CSC's budgetary statutory authorities **increased by \$4.7 million or 1.8%** compared to September 2022, which is attributed to the net effect of the following items:

- An **increase of \$5.0 million** for the department's allocation of the employer's share of the employee benefit plan;
- An **increase of \$1.3 million** of proceeds from the disposal of surplus Crown assets; and
- A **decrease of \$1.6 million** resulting from a reduction of the drawdown on the CORCAN revolving fund authority.

Explanation of Significant Variances from Previous Year Expenditures

Compared with the previous fiscal year, the total year to date net budgetary expenditures **increased by \$107.8 million or 8.3%** mainly due to the following factors:

- Personnel expenditures **increased by \$33.9 million** primarily due to:
 - An **increase of \$23.8 million** in civilian regular pay due to various collective bargaining increases;
 - An **increase of \$4.5 million** due to the increase in Workers' Compensation Boards (WCB) expenditures;
 - An **increase of \$3.0 million** for the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures;
 - An **increase of \$1.6 million** in civilian allowances mainly due to the increase in the Correctional Service Specific Duty Allowance (CSSDA) and the Offender Supervision and Welfare Programmes Parole Officer allowance; and
 - An **increase of \$1.0 million** in civilian retroactive pay.
- Transportation and communication expenditures **increased by \$1.3 million** primarily due to:
 - An **increase of \$1.3 million** in public servants travel;
 - An **increase of \$0.5 million** in travel due to inmate transfers; and
 - A **decrease of \$0.5 million** in relocation.
- Professional and special services **increased by \$21.0 million** primarily due to:
 - An **increase of \$18.4 million** mainly in quasi statutory items due to changes in offender population volumes and price fluctuations, mainly due to:
 - An **increase of \$9.3 million** in the actual day bed usage at Community Residential Facilities;
 - An **increase of \$5.5 million** in health care services and specialists; and
 - An **increase of \$3.6 million** due to the Exchange of Services Agreement with the Provinces.
 - An **increase of \$2.6 million** in Security Services contracts due to invoices being processed earlier this year than last year.
- Rentals **increased by \$6.1 million** primarily due to:
 - An **increase of \$4.8 million** in license and maintenance fees due to additional licenses; and
 - An **increase of \$1.3 million** in rental of buildings.
- Repair and maintenance **decreased by \$2.1 million** primarily due to:
 - A **decrease of \$4.0 million** in other equipment due to the completion of a maintenance project on fire safety equipment; and
 - An **increase of \$1.9 million** in building repairs and maintenance.
- Utilities, materials and supplies **increased by \$10.8 million** primarily due to changes in offender population volumes and price fluctuations, mainly due to:
 - An **increase of \$4.6 million** in food inventory;
 - An **increase of \$3.4 million** in the purchasing of medications, mainly Hepatitis C medications, to ensure the maintenance of adequate inventory levels for operational needs;

- An **increase of \$1.5 million** in clothing mainly due to increase in inventory levels for operational needs;
 - An **increase of \$0.7 million** in utilities mainly due to increased electricity costs; and
 - An **increase of \$0.6 million** in medical supplies.
- Acquisition of land, buildings and works **increased by \$29.4 million**, mainly in construction projects to address aging critical infrastructure.
- Acquisition of machinery and equipment **increased by \$3.1 million** primarily due to:
 - An **increase of \$1.2 million** in other vehicles due to invoices being processed earlier this year than last year;
 - An **increase of \$0.7 million** in security equipment and supplies;
 - An **increase of \$0.6 million** in cell and living area furniture;
 - An **increase of \$0.4 million** in image and video communications equipment due to modernize existing security equipment infrastructure capability; and
 - An **increase of \$0.2 million** in medical health furniture due to population growth.
- Other subsidies and payments **increased by \$5.9 million** primarily due to:
 - An **increase of \$2.7 million** due to the increase in Workers' Compensation Boards (WCB) expenditures;
 - An **increase of \$2.1 million** in court ordered payments; and
 - An **increase of \$1.1 million** in costs under shared cost program mainly due to services being provided earlier this year than last year.
- A **net decrease of \$1.7 million** in CORCAN's revenues due to receiving in funding for vocational training and an increase in revenue.
- A **net increase of \$0.1 million** in other standard objects.

(in millions of dollars)

Organizational Budgetary Expenditures	Year Over Year	Quarter Over Quarter
Total Net Budgetary Expenditures 2022-2023	1,303.0	730.9
Total Net Budgetary Expenditures 2023-2024	1,410.8	833.9
Variance	107.8	103.0
Explanation of Variances by Standard Object		
Personnel	33.9	42.4
Transportation and communications	1.3	0.2
Professional and special services	21.0	26.0
Rentals	6.1	4.6
Purchased repair and maintenance	(2.1)	1.1
Utilities, materials and supplies	10.8	1.6
Acquisition of land, buildings and works	29.4	23.5
Acquisition of machinery and equipment	3.1	1.7
Other subsidies and payments	5.9	5.1
CORCAN revenues	(1.7)	(2.9)
Other standard objects	0.1	(0.3)
Total	107.8	103.0

Risks and Uncertainties

CSC's [Departmental Plan 2023-2024](#) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes.

CSC will address existing financial challenges, and will continue working on a modernization plan over the three-year planning period.

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 2023-2024](#), are the increasingly complex and diverse 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 and modernization of the organization, the potential loss of support 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.

Treasury Board of Canada Secretariat has provided CSC with its baseline calculations for the spending reduction targets resulting from the Refocusing Government Spending, for which CSC is working on a multi-year savings plan.

Significant Changes in Relation to Operations, Personnel and Programs

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 could not operate under normal conditions. Consequently, CORCAN's drawdown limit increased to \$20.0 million following Treasury Board approval. By the end of 2023-24, CORCAN's drawdown limit will decrease by \$3.0 million, this limit will gradually decrease until fiscal year 2025-26, at which point it will return to the original \$5.0 million threshold.

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 Offender Management System (OMS) is a legacy solution for offender management that is mission-critical for CSC's operations, research, performance reporting and legal compliance. Based on the current system, CSC is unable to operate at optimal efficiency, missing opportunities to improve effectiveness, and unable to respond in a timely manner to legislative changes or the informational demands of key stakeholders and federal partners. An investment in Offender Management System Modernization (OMSM) is underway to improve efficiency, allowing for better performance; enhanced effectiveness, contributing positively to public safety results; and improved flexibility, enabling improved responsiveness to changing legislation, adapting policy and shifting stakeholder demands.

In the second quarter of 2023-2024, the following changes have occurred within the senior leadership:

- Correctional Service Canada has appointed a new Assistant Commissioner, Human Resource Management Sector;
- Departure Assistant Commissioner, Health Services Sector and staffing process is underway; and
- Correctional Service Canada has appointed a new Regional Deputy Commissioner, Quebec Region.

Approvals by Senior Officials

Approved by:

Original signed by

Anne Kelly,
Commissioner

Original signed by

Tony Matson,
Chief Financial Officer

Ottawa, Canada
November 15, 2023

Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023-2024			Fiscal year 2022-2023		
	Total available for use for the year ending March 31, 2024*	Used during the quarter ended September 30, 2023	Year to date used at quarter-end	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2022	Year to date used at quarter-end
Vote 1 – Operating expenditures						
Gross operating expenditures	2,691,012	695,979	1,217,753	2,691,022	645,177	1,151,610
Vote-netted revenues	(3,943)	(1,946)	(1,946)	(3,943)	(2,736)	(2,736)
Net operating expenditures	2,687,069	694,033	1,215,807	2,687,079	642,441	1,148,874
Vote 5 – Capital expenditures	248,048	56,061	71,686	260,118	28,981	39,553
Budgetary statutory authorities						
CORCAN gross expenditures	111,974	28,472	49,554	109,527	23,645	43,798
CORCAN revenues	(113,809)	(34,599)	(60,137)	(109,731)	(31,719)	(58,447)
CORCAN net expenditures	(1,835)	(6,127)	(10,583)	(204)	(8,074)	(14,649)
Spending of proceeds from disposal of surplus Crown assets	3,351	2,203	2,203	2,040	60	61
Contributions to employee benefits plans	263,268	87,756	131,634	258,292	67,489	129,146
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
	266,619	89,959	133,837	260,332	67,549	129,207
Total budgetary authorities	3,199,901	833,926	1,410,747	3,207,325	730,897	1,302,985
Non-budgetary authorities	45	-	-	45	-	-
Total authorities	3,199,946	833,926	1,410,747	3,207,370	730,897	1,302,985

More information is available on the following page.

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

Note: CORCAN's available drawdown authority at the end of September 2023 was \$20.0M, of which none was used, leaving a residual balance available of \$20.0M. In comparison, at the end of September 2022, CORCAN's drawdown authority was \$20.0M, of which none was used, and \$20.0M of funding was available.

Organizational budgetary expenditures by Standard Object (unaudited)

	<i>Fiscal year 2023-2024</i>			<i>Fiscal year 2022-2023</i>		
	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended September 30, 2023	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended September 30, 2022	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	2,109,389	557,137	1,020,265	2,073,677	514,737	986,353
Transportation and communications	24,589	6,688	11,219	25,674	6,479	9,877
Information	599	(1,132)	222	467	137	176
Professional and special services	544,285	153,585	212,057	553,615	127,598	191,016
Rentals	31,481	9,628	20,102	44,557	4,990	13,973
Purchased repair and maintenance	31,861	8,003	10,129	26,877	6,942	12,321
Utilities, materials and supplies	177,390	41,388	76,663	196,082	39,830	65,858
Acquisition of land, buildings and works*	140,758	42,634	52,741	146,090	19,092	23,354
Acquisition of machinery and equipment	42,471	7,418	11,279	100,039	5,736	8,215
Transfer payments	1,020	451	563	720	284	1,284
Other subsidies and payments	213,810	44,671	57,590	153,201	39,527	51,741
Total gross budgetary expenditures	3,317,653	870,471	1,472,830	3,320,999	765,352	1,364,168
Less revenues netted against expenditures						
Vote-netted revenues	(3,943)	(1,946)	(1,946)	(3,943)	(2,736)	(2,736)
CORCAN	(113,809)	(34,599)	(60,137)	(109,731)	(31,719)	(58,447)
Total revenues netted against expenditures	(117,752)	(36,545)	(62,083)	(113,674)	(34,455)	(61,183)
Total net budgetary expenditures	3,199,901	833,926	1,410,747	3,207,325	730,897	1,302,985

* These are mainly Vote 5 (Capital) expenditures.