Public Services and Procurement Canada | Services publics et Approvisionnement Canada

Canada

Quarterly Financial Report

For the quarter ended September 30, 2023

1. Introduction

This Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates and Supplementary 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. Our 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 the Main Estimates (Part II) and in the 2023-24 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 and are consistent with the Main Estimates and Supplementary 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 (the description can be found in paragraph 1.3.4).

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:

1.3.1 Cost-recovery basis

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.

1.3.2 Project management

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.

1.3.3 Payments in lieu of taxes

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.

1.3.4 Seized property account

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

One of the Government's top priorities remains the health and safety of Canadians as the COVID-19 pandemic evolves. Throughout the pandemic, PSPC has been actively engaged in supporting the Government of Canada's response, through the procurement of 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 health units and beds. Now, as the Government of Canada turns its attention to the post-pandemic reality, PSPC will be winding down COVID-19 procurement operations while continuing to maintain a portfolio of COVID-19 vaccines and plans to transition to sustainable management of COVID-19 vaccines. In the longer term, establishing domestic production capacity will further diversify Canada's vaccine options and capabilities.

The COVID-19 pandemic has changed how Government of Canada employees work and the types of workplace accommodations that best support managers and employees providing critical services to Canadians. The department will collaborate with its government partners to help define the post-pandemic work environment by supporting the Government of Canada's future of work, which includes transitioning to a hybrid work model.

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 increased by $165.8 million** ($4,864.1 million at the second quarter of the fiscal year ending March 31, 2024 compared to $4,698.3 million at the second quarter of the fiscal year ending March 31, 2023) as reflected in Table 1–Statement of authorities (unaudited) – For the quarter ended September 30, 2023 (in thousands of dollars). The items responsible for the overall increase are outlined in the table below, followed by a description for each variance:

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

Initiatives	Operating	Capital	Budgetary Statutory Authorities	Total Variance
Government of Canada's Pay System	169.2	-	31.6	200.8
Price and Volume Protection	54.2	-	-	54.2
Employee Benefit Plan Adjustment	-	-	24.8	24.8
Card Acceptance and Postage	16.7	-	-	16.7
E-Procurement Solution	(22.5)	-	(1.3)	(23.8)
Planning and Investment in PSPC's Assets Portfolio	(52.4)	(50.5)	(0.9)	(103.8)
Other	(5.5)	-	2.4	(3.1)
Cumulative variance in authorities available for use	**159.7**	**(50.5)**	**56.6**	**165.8**

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

Government of Canada's Pay System – increase of $200.8 million

The increase relates to additional funding announced in Budget 2023 to offset funding that sunset in fiscal year 2022 to 2023. Funding will enable PSPC to continue fulfilling its mandate as the Government of Canada's pay administrator by maintaining overall stability, eliminating the backlog of cases older than one year, ensuring continuous improvement of its pay operations and making progress towards stabilizing queue management.

Price and Volume Protection – increase of $54.2 million

The increase is a result of funding received for the 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 accommodation costs.

Employee Benefit Plan (EBP) Adjustment – increase of $24.8 million

The increase relates to the EBP rate adjustments as per the Treasury Board of Canada Secretariat (TBS) instructions which is applied on the year-over-year change in funding received.

Card Acceptance and Postage – increase of $16.7 million

The increase is for debit and credit card acceptance fees incurred by federal departments and agencies as a result of the collection of revenues and also for postage fees for mailing cheques to Canadians.

E-Procurement Solution – decrease of $23.8 million

The decrease is mainly due to the winding down of the project implementation costs as the implementation phase within PSPC was completed at the end of June 2023. As announced in Budget 2018, the cloud-based E-Procurement Solution will modernize the government's procurement function, making purchasing simpler and easier to access.

Planning and Investment in PSPC's Assets Portfolio – decrease of $103.8 million

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

Other – decrease of $3.1 million

The decrease is the result of funding variances in miscellaneous projects and activities.

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 $70.8 million** as compared to the same quarter of the previous year ($2,359.5 million in the current fiscal year compared to $2,288.7 million in the previous fiscal year).

Total spending at the end of the second quarter for the current fiscal year is the same as the second quarter of the previous year, both being 49% of the annual planned expenditures.

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

Standard Object	September 30, 2023 Year to date used at quarter end	September 30, 2022 Year to date used at quarter end	Year-over-year variance
Personnel	926.8	880.2	46.6
Transportation and communications	30.2	26.5	3.7
Information	5.5	6.1	(0.6)
Professional and special services	880.3	759.9	120.4
Rentals	651.8	638.4	13.4
Repair and maintenance	507.9	720.0	(212.1)
Utilities, materials and supplies	44.5	86.1	(41.6)
Acquisition of land, buildings and works	278.4	238.5	39.9
Acquisition of machinery and equipment	25.1	26.3	(1.2)
Transfer payments	188.2	88.0	100.2
Public Debt charges	52.6	55.9	(3.3)
Other subsidies and payments	182.5	190.1	(7.6)
Revenues netted against expenditures	(1,414.3)	(1,427.3)	13.0
Total net budgetary expenditures	**2,359.5**	**2,288.7**	**70.8**

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 $70.8 million** is mainly attributable to:

Personnel – increase of $46.6 million

- The increase is mainly due to:
  - Workforce dedicated to reducing the backlog of pay transactions and to stabilize pay operations as well as workforce required to meet business needs mainly in Real Property Services Revolving Fund activities such as building operations and project management functions; and
  - Increase in salaries as a result of the ratification of various collective agreements.

Professional and special services – increase of $120.4 million

- The increase is mainly due to:
  - Real Property Services Revolving Fund as a result of higher business volume related to other government departments, mostly in remediation projects such as Faro Mine, Giant Mine and G jetty and jetty 11 (Esquimalt Harbour) as well as modernization of laboratory facilities such as Sidney Centre;
  - Parliamentary Precinct portfolio for the Centre Block building which was impacted by a construction trades strike last fiscal year and additional work on the Centre Block basement commenced this fiscal year; and
  - Retrofit projects for workspace optimization such as project at 395 Terminal Avenue in Ottawa.
- The increase was partially offset by timing difference of invoicing for IT services and support under Digital Services Branch.

Repair and maintenance – decrease of $212.1 million

- The decrease is due to a reduction of User Building Conversion Plan (UBCP) costs under the Energy Services Acquisition Program since UBCP is coming to an end and the majority of the work has been completed.

Utilities, materials and supplies – decrease of $41.6 million

- The decrease is mainly due to a change in presentation of vaccines-related transactions following the implementation of the new Public Sector Accounting Standard on revenue, which impacted the Optional Services Revolving Fund. In prior years, vaccines revenues collected and the related expenses were recorded separately. Starting this fiscal year, the cost of vaccines will be reduced by the vaccine revenues (net basis presentation).

Acquisition of land, buildings and works – increase of $39.9 million

- The increase is mainly due to:
  - Renewal projects at Place du Portage, Les Terrasses de la Chaudière and the Lester B. Pearson building in the National Capital Region; and
  - Projects in Western region for other government departments such as a new hangar at Iqaluit airport, construction of Clyde River small craft harbour and the Bowden Wastewater Lagoon rehabilitation.
- The increase was partially offset by a decrease as a result of projects mostly completed in Pacific region such as east end dock extension at Esquimalt Graving Dock and top-lift asphalt installation and road surface conversion in sections of the Alaska Highway as well as other projects completed in Ontario, Quebec and Atlantic regions.

Transfer payments – increase of $100.2 million

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

Other standard objects – increase of $4.4 million

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

Revenues netted against expenditures – decrease of $13.0 million

- The decrease is mainly due to the change in presentation of vaccines-related transactions following the implementation of the new Public Sector Accounting Standard on revenue, which impacted the Optional Services Revolving Fund. In prior years, vaccines revenues collected and the related expenses were recorded separately. Starting this fiscal year, the vaccine revenues will be recorded against the cost of vaccines under “Utilities, materials and supplies”, and no longer as revenues (net basis presentation).
- The decrease was partially offset by an increase in Real Property Services Revolving Fund as a result of higher business volume related to other government departments, mostly in remediation projects such as Giant Mine as well as other projects such as a new hangar at Iqaluit airport, construction of Clyde River small craft harbour and the Bowden Wastewater Lagoon rehabilitation.

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 key risks identified as having a potential financial impact on PSPC’s operations are:

3.1 Funding mechanism and coordination

PSPC may be unable to achieve its departmental investment objectives and targets, due to the variety of funding mechanisms employed by the department and the need to have better tools to effectively implement the OnePSPC concept, which may impede on-going relationships with clients and the efficiency and effectiveness of the department’s programs and services. To mitigate this risk, PSPC is taking the following measures, among others:

- Improve PSPC's Investment Management Framework, further refine an enterprise-wide prioritization model for all of PSPC's asset portfolios and align resources to priorities;
- Implement Project Costing Model Modernization initiative, with focus on 4 key deliverables: PSPC Integrated Project Costing Framework, Monte Carlo simulation model, costing guides and tools, and project gating amendments; and
- Optimize existing and develop new dashboards and reports (as necessary), to be presented at governance committees on a regular basis to improve transparency and better support decision making.

3.2 PSPC's ability to deliver on large-scale and complex initiatives

The effective and efficient delivery of major PSPC initiatives may be impeded due to the nature of large-scale and complex work (project scale, complexities, partner dependencies, evolving security requirements) along with current global events (inflation, supply delays and industry capacity limitations) which may affect the department's credibility with stakeholders. To mitigate this risk, PSPC is taking the following measures, among others:

- Structuring, financing and accelerating the modernization of Fit-up programs to deliver on the GCWorkplace vision;
- Developing security, scientific equipment, IM/IT and real property strategies, solutions, costings, and requirements to advance projects and support the federal science community; and,
- Refreshing the National Project Management System and creating an Enterprise Governance Framework model for project management to reduce or lessen the impact should the risk materialize.

3.3 Real property asset integrity, safety and accessibility

The integrity, safety and accessibility of PSPC real property and infrastructure assets could be compromised by climate change, natural disasters, infrastructure deterioration and original design insufficiencies, as well as human related actions, which may impede the continuity of government operations and the well-being of Canadians. Without sufficient funding levels, PSPC will have difficulty successfully delivering programs, which could lead to additional costs, missed opportunities, and could potentially put the integrity of certain assets at risk. To mitigate this risk, PSPC is taking the following measures, among others:

- Undertaking extensive infrastructure renewal activities;
- Continue delivering various projects to preserve buildings, stop or reduce ongoing deterioration, respond to urgent building repair requirements, address health and safety issues, and reduce the cost and complexity of future work; and,
- Continue identifying and prioritizing projects according to a rigorous and cyclical portfolio planning process, as well as demonstration of cost savings.

3.4 HR-to-Pay stabilization

PSPC may encounter delays to achieving full stabilization of pay administration for the Government of Canada, as a result of the sustained increases in the volume of work received at the Pay Centre from client departments while facing capacity constraints, which could further impede efforts to increase stakeholder trust and lessen liabilities to the Government of Canada. To mitigate this risk, PSPC is taking the following measures, among others:

- Providing business intelligence and reports on HR-to-Pay stabilization and delivering monthly timeliness reports to departments and agencies to assist with the identification of upstream issues that affect pay; and
- Prioritizing cases with high financial impact to employees that are more than a year old once intake management is stabilized and additional resources start working on the Pay Centre queue.

4. Significant changes to operations, personnel and programs

During the second quarter of the current fiscal year, the Prime Minister announced the following changes in minister and senior personnel:

- The appointment of the Honourable Jean-Yves Duclos as the Minister of Public Services and Procurement, effective July 26, 2023.
- The departure of Scott Jones, Associate Deputy Minister of Public Services and Procurement, effective September 11, 2023.
- The departure of Paul Thompson, Deputy Minister of Public Services and Procurement, effective September 18, 2023. Following the end of the second quarter, Arianne Reza was appointed Deputy Minister of Public Services and Procurement, effective November 2, 2023.

Approved by:

The original version was signed by
Arianne Reza
Deputy Minister

Gatineau, Canada
November 29, 2023

The original version was signed by
Wojo Zielonka, CPA
Assistant Deputy Minister and
Chief Financial Officer

Gatineau, Canada
November 29, 2023

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2024			Fiscal year ending March 31, 2023		
(In thousands of dollars)	Total available for use for the year ending March 31, 2024 1) 2)	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 1) 2)	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end
Vote 1						
Gross operating expenditures	4,483,737	1,123,845	2,039,186	4,254,830	1,079,333	1,970,689
Vote-netted revenues	(1,399,243)	(379,065)	(642,925)	(1,330,000)	(426,004)	(641,436)
Net operating expenditures	**3,084,494**	**744,780**	**1,396,261**	**2,924,830**	**653,329**	**1,329,253**
Vote 5 - Capital expenditures	**1,559,955**	**364,251**	**574,848**	**1,610,417**	**512,087**	**688,255**
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,308,780	525,938	820,801	2,478,069	486,795	764,006
Revenues	(2,305,280)	(523,277)	(686,700)	(2,479,911)	(480,215)	(637,628)
Net expenditures	3,500	2,661	134,101	(1,842)	6,580	126,378
Translation Bureau Revolving Fund						
Gross expenditures	182,525	43,122	76,043	177,701	41,404	73,957
Revenues	(174,456)	(39,097)	(70,677)	(170,349)	(37,831)	(67,934)
Net expenditures	8,069	4,025	5,366	7,352	3,573	6,023
Optional Services Revolving Fund						
Gross expenditures	15,630	15,356	9,485	262,724	30,107	52,779
Revenues	(15,815)	(1,554)	(14,014)	(262,401)	(32,781)	(80,331)
Net expenditures	(185)	13,802	(4,529)	323	(2,674)	(27,552)
Total of all revolving funds						
Gross expenditures	2,506,935	584,416	906,329	2,918,494	558,306	890,742
Revenues	(2,495,551)	(563,928)	(771,391)	(2,912,661)	(550,827)	(785,893)
Total revolving fund net expenditures	**11,384**	**20,488**	**134,938**	**5,833**	**7,479**	**104,849**

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

(In thousands of dollars)	Fiscal year ending March 31, 2024			Fiscal year ending March 31, 2023		
	Total available for use for the year ending March 31, 2024 1) 2)	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 1) 2)	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end
Other budgetary statutory authorities						
Contributions to employee benefit plans	207,435	32,601	65,202	156,456	39,114	78,228
Minister of PSP salary and motor car allowance	95	24	48	92	23	46
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	732	47	47	697	7	7
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities 2)	-	(187,508)	188,152	-	(175,031)	88,035
Total other budgetary statutory authorities	**208,262**	**(154,836)**	**253,449**	**157,245**	**(135,887)**	**166,316**
Total budgetary authorities	**4,864,095**	**974,683**	**2,359,496**	**4,698,325**	**1,037,008**	**2,288,673**
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	**4,864,095**	**974,683**	**2,359,496**	**4,698,325**	**1,037,008**	**2,288,673**

Net increase of $165.8 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, 2024 and March 31, 2023, 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 BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

	Fiscal year ending March 31, 2024			Fiscal year ending March 31, 2023		
(In thousands of dollars)	Planned expenditures for the year ending March 31, 2024 1) 2)	Expended during the quarter ended September 30, 2023	Year-to-date used at quarter end	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
Expenditures						
Personnel	1,957,093	485,280	926,847	1,783,238	448,651	880,198
Transportation and communications	66,038	17,655	30,191	85,538	14,890	26,538
Information	16,517	3,195	5,540	18,506	3,009	6,127
Professional and special services	2,397,729	569,865	880,331	2,368,928	501,575	759,913
Rentals	1,350,778	329,329	651,783	1,326,390	320,437	638,423
Repair and maintenance	1,193,380	307,841	507,856	1,334,742	516,512	719,996
Utilities, materials and supplies	150,391	34,758	44,535	369,482	52,189	86,081
Acquisition of land, buildings and works	955,109	177,538	278,392	938,077	158,706	238,476
Acquisition of machinery and equipment	153,017	20,545	25,132	171,922	18,364	26,282
Transfer payments 2)	-	(187,508)	188,152	-	(175,031)	88,035
Public Debt charges	124,808	26,710	52,567	130,224	27,511	55,858
Other subsidies and payments	394,029	132,468	182,486	413,939	127,026	190,075
Total gross budgetary expenditures	**8,758,889**	**1,917,676**	**3,773,812**	**8,940,986**	**2,013,839**	**3,716,002**
Less revenues netted against expenditures						
Revolving funds revenues	(2,495,551)	(563,928)	(771,391)	(2,912,661)	(550,827)	(785,893)
Vote-netted revenues	(1,399,243)	(379,065)	(642,925)	(1,330,000)	(426,004)	(641,436)
Total revenues netted against expenditures	**(3,894,794)**	**(942,993)**	**(1,414,316)**	**(4,242,661)**	**(976,831)**	**(1,427,329)**
Total net budgetary expenditures	**4,864,095**	**974,683**	**2,359,496**	**4,698,325**	**1,037,008**	**2,288,673**

Net increase of $70.8 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, 2024 and March 31, 2023, 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.