

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED DECEMBER 31, 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 Reports for the quarters ended [June 30, 2023](#) and [September 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](#).

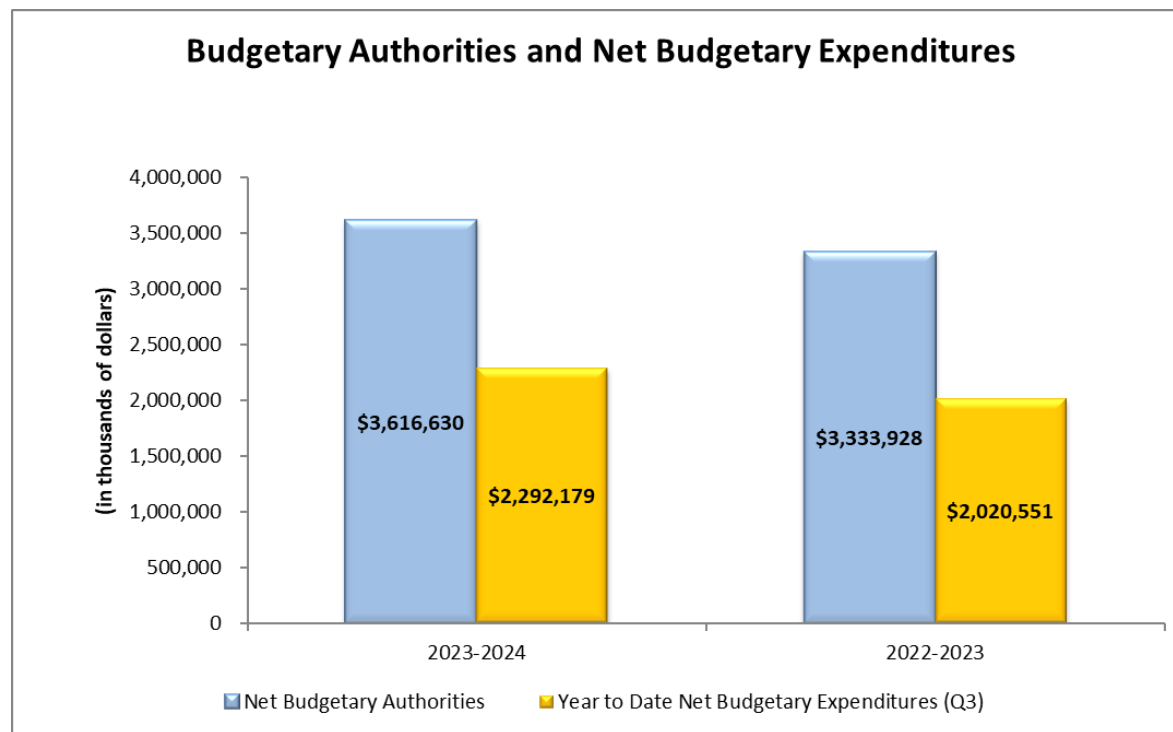
² Released through Order in Council P.C. [2023-0698](#).

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 December 31, 2023 and December 31, 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 December 31, 2023, CSC has seen an **increase** in total authorities of **\$282.7 million or 8.5%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$273.5 million or 9.8%** compared to the authorities at the end of December 2022, which is attributed to the net effect of the following items:

- An **increase of \$105.0 million** related to compensation for the funded portion of collective agreement increases;
- An **increase of \$97.1 million** related to funding for class action lawsuits;
- An **increase of \$45.6 million** in funding to stabilize operations towards rising Workers' Compensation Board costs (Budget 2023);
- An **increase of \$42.0 million** in quasi statutory funding related to changes in prices (inflation) and volume of goods and services being procured;
- An **increase of \$15.1 million** in funding for equipment and licenses to maintain a hybrid workforce (Budget 2023);
- An **increase of \$14.2 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$11.4 million** in funding for maintaining enhanced cleaning protocols across correctional facilities (Budget 2023);
- An **increase of \$2.4 million** in funding for essential network enhancements;
- An **increase of \$2.2 million** in funding to modernize existing security equipment infrastructure capability;
- An **increase of \$0.9 million** in funding to increase capacity to address and foster a timely redress and resolution of offender grievances;
- A **decrease of \$44.6 million** in funding to support pressures related to COVID-19;
- 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;
- A **decrease of \$1.1 million** in funding for the Application Modernization Initiative;
- A **decrease of \$0.2 million** to transfer funds to the Royal Canadian Mounted Police for Law Enforcement Record Check Services; and
- A **decrease of \$0.2 million** in funding for the *Federal Contaminated Sites Action Plan*.

Capital Vote

CSC's Capital Vote **increased by \$0.1 million** compared to the authorities at the end of December 2022, which is attributed to the net effect of the following items:

- An **increase of \$4.5 million** in funding for essential network enhancements;
- An **increase of \$4.1 million** related to funding from the Capital Budget Carry Forward;

- An **increase of \$3.9 million** in funding to modernize existing security equipment infrastructure capability;
- An **increase of \$1.3 million** in funding to reduce suspension points in correctional facilities infrastructure to increase inmate safety; and
- A **decrease of \$13.7 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 \$9.1 million or 3.4%** compared to December 2022, which is attributed to the net effect of the following items:

- An **increase of \$9.3 million** for the department's allocation of the employer's share of the employee benefit plan;
- An **increase of \$1.4 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 \$271.6 million or 13.4%** mainly due to the following factors:

- Personnel expenditures **increased by \$151.5 million** primarily due to:
 - An **increase of \$139.0 million** due to the ratification of several collective agreements, including signing bonuses and various allowance increases;
 - An **increase of \$7.3 million** due to the increase in Workers' Compensation Boards (WCB) expenditures; and
 - An **increase of \$5.2 million** for the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures.
- Transportation and communication expenditures **increased by \$2.3 million** primarily due to:
 - An **increase of \$2.1 million** in public servants travel;
 - An **increase of \$0.7 million** in travel due to inmate transfers; and
 - A **decrease of \$0.5 million** in relocation.
- Professional and special services **increased by \$38.8 million** primarily due to:
 - An **increase of \$23.7 million** in quasi statutory items due to changes in offender population volumes and price fluctuations, mainly consisting of:
 - An **increase of \$15.9 million** in the actual day bed usage at Community Residential Facilities; and
 - An **increase of \$7.8 million** in health care services and specialists.
 - An **increase of \$15.1 million** in legal services;
- Rentals **increased by \$8.2 million** primarily due to:
 - An **increase of \$5.3 million** in license and maintenance fees mainly for additional licenses; and

- An **increase of \$2.9 million** in rental of buildings mainly due to invoices being processed earlier this year than last year.
- Repair and maintenance **increased by \$1.8 million**, mainly in institutional buildings.
- Utilities, materials and supplies **increased by \$16.1 million** primarily due to:
 - An **increase of \$10.7 million** in quasi statutory items due to changes in offender population volumes and price fluctuations, mainly consisting of:
 - An **increase of \$6.6 million** in food inventory;
 - An **increase of \$3.2 million** in the purchasing of medications; and
 - An **increase of \$0.9 million** in medical supplies.
 - An **increase of \$5.4 million** in miscellaneous manufactured articles, such as building materials and carpentry supplies.
- Acquisition of land, buildings and works **increased by \$44.6 million**, mainly in construction projects to address aging critical infrastructure.
- Acquisition of machinery and equipment **increased by \$6.5 million** primarily due to:
 - An **increase of \$3.4 million** in computer equipment for lifecycle replacement; and
 - An **increase of \$3.1 million** in security equipment and supplies.
- Other subsidies and payments **increased by \$7.2 million** primarily due to:
 - An **increase of \$4.4 million** due to the increase in Workers' Compensation Boards (WCB) expenditures; and
 - An **increase of \$2.8 million** in court ordered payments.
- A **net increase of \$6.4 million** in CORCAN's revenues due to receiving new funding for vocational training and an increase in revenue due to an increase of orders from clients.
- A **net increase of \$1.0 million** in other standard objects.

(in millions of dollars)

Organizational Budgetary Expenditures	Year Over Year	Quarter Over Quarter
Total Net Budgetary Expenditures 2022-2023	2,020.6	717.6
Total Net Budgetary Expenditures 2023-2024	2,292.2	881.4
Variance	271.6	163.8
Explanation of Variances by Standard Object		
Personnel	151.5	117.6
Transportation and communications	2.3	1.0
Professional and special services	38.8	17.7
Rentals	8.2	2.0
Purchased repair and maintenance	1.8	4.0
Utilities, materials and supplies	16.1	5.2
Acquisition of land, buildings and works	44.6	15.2
Acquisition of machinery and equipment	6.5	3.5
Other subsidies and payments	7.2	1.4
CORCAN revenues	(6.4)	(4.7)
Other standard objects	1.0	0.9
Total	271.6	163.8

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

- Director General, Classifications, Resourcing, and Operations was appointed as Deputy Commissioner for Women;
- Assistant Deputy Commissioner, Correctional Operations, Quebec Region, was appointed as Regional Deputy Commissioner, Quebec Region; and
- Executive Director of Audit Operations was appointed as Chief Audit Executive and Evaluation.

Approvals by Senior Officials

Approved by:

Original signed by
Anne Kelly,
Commissioner

Original signed by
Tony Matson,
Chief Financial Officer

Ottawa, Canada
February 12, 2024

Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	<i>Fiscal year 2023-2024</i>			<i>Fiscal year 2022-2023</i>		
	Total available for use for the year ending March 31, 2024*	Used during the quarter ended December 31, 2023	Year to date used at quarter-end	Total available for use for the year ending March 31, 2023*	Used during the quarter ended December 31, 2022	Year to date used at quarter-end
Vote 1 – Operating expenditures						
Gross operating expenditures	3,081,662	737,112	1,954,865	2,808,162	590,061	1,741,671
Vote-netted revenues	(3,943)	-	(1,946)	(3,943)	-	(2,736)
Net operating expenditures	3,077,719	737,112	1,952,919	2,804,219	590,061	1,738,935
Vote 5 – Capital expenditures	260,203	65,740	137,426	260,118	56,303	95,856
Budgetary statutory authorities						
CORCAN gross expenditures	111,974	34,740	84,294	109,527	24,000	67,798
CORCAN revenues	(113,809)	(22,064)	(82,201)	(109,731)	(17,400)	(75,847)
CORCAN net expenditures	(1,835)	12,676	2,093	(204)	6,600	(8,049)
Spending of proceeds from disposal of surplus Crown assets	3,976	87	2,290	2,562	15	76
Contributions to employee benefits plans	276,567	65,817	197,451	267,233	64,573	193,719
Refunds of amounts credited to revenues in previous years	-	-	-	-	14	14
	280,543	65,904	199,741	269,795	64,602	193,809
Total budgetary authorities	3,616,630	881,432	2,292,179	3,333,928	717,566	2,020,551
Non-budgetary authorities	45	-	-	45	-	-
Total authorities	3,616,675	881,432	2,292,179	3,333,973	717,566	2,020,551

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 December 2023 was \$20.0M, of which none was used, leaving a residual balance available of \$20.0M. In comparison, at the end of December 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 December 31, 2023	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended December 31, 2022	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	2,289,391	617,166	1,637,431	2,126,739	499,540	1,485,893
Transportation and communications	24,589	7,302	18,521	25,674	6,344	16,221
Information	599	1,474	1,696	467	205	381
Professional and special services	610,867	125,411	337,468	577,179	107,695	298,711
Rentals	36,236	8,705	28,807	49,677	6,662	20,635
Purchased repair and maintenance	31,861	10,604	20,733	26,877	6,604	18,925
Utilities, materials and supplies	190,448	46,246	122,909	212,501	41,004	106,862
Acquisition of land, buildings and works*	144,912	47,730	100,471	146,090	32,558	55,912
Acquisition of machinery and equipment	50,312	13,680	24,959	100,561	10,199	18,414
Transfer payments	1,020	841	1,404	720	1,212	2,496
Other subsidies and payments	354,147	24,337	81,927	181,117	22,943	74,684
Total gross budgetary expenditures	3,734,382	903,496	2,376,326	3,447,602	734,966	2,099,134
Less revenues netted against expenditures						
Vote-netted revenues	(3,943)	-	(1,946)	(3,943)	-	(2,736)
CORCAN	(113,809)	(22,064)	(82,201)	(109,731)	(17,400)	(75,847)
Total revenues netted against expenditures	(117,752)	(22,064)	(84,147)	(113,674)	(17,400)	(78,583)
Total net budgetary expenditures	3,616,630	881,432	2,292,179	3,333,928	717,566	2,020,551

* These are mainly Vote 5 (Capital) expenditures.