

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED JUNE 30, 2024

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1. Introduction

This quarterly report has been prepared by management 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](#). 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 Correctional Service Canada (CSC)'s program activities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan 2024-2025](#).

1.1 Basis of Presentation

This quarterly report has been prepared 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](#) and [Supplementary Estimates](#) (as applicable). 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.

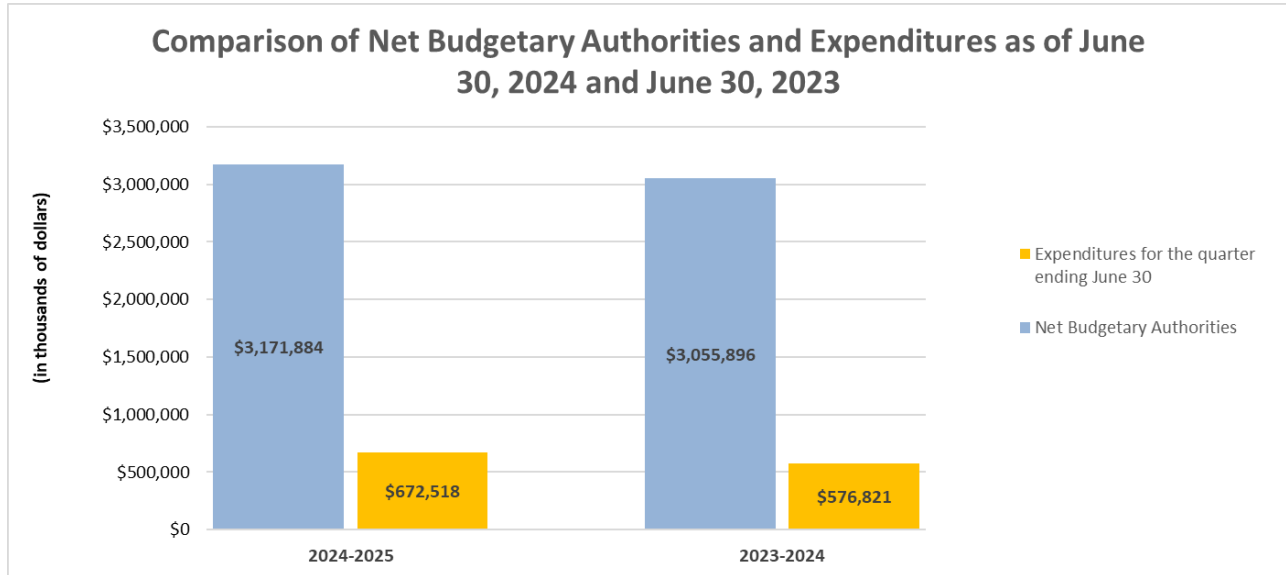
CSC has an active Revolving Fund (CORCAN) that is included in the statutory authorities of the enclosed [Statement of Authorities](#). CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in 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 of which is not to exceed \$11.0 million at any time during 2024-25. Through Supplementary Estimates (A), 2020-21¹, the drawdown limit was increased from a previous amount of \$5.0 million. The increase was requested as a consequence of reduced sales and operations resulting from the COVID-19 pandemic. The

¹ Released through Order in Council P.C. [2020-510](#) on June 26, 2020.

limit will decrease by a further \$6.0 million during the 2025-26 fiscal year, at which point it will return to the original \$5.0 million threshold.

2. Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results

The following graph provides a comparison of the net budgetary authorities and expenditures as of June 30, 2024 and June 30, 2023 for CSC's combined operating, capital and budgetary statutory authorities.



2.1 Significant Changes to Authorities

As reflected in the [Statement of Authorities](#) for the period ending June 30, 2024, CSC has seen an **increase** in total authorities of **\$116.0 million or 3.8%** for the current fiscal year compared to the previous fiscal year.

Comparison of net budgetary authorities for the quarters ended June 30, 2024, and June 30, 2023

(in millions of dollars)

Net authorities available	2024-25	2023-24	Variance
Vote 1 – Operating Expenditures	2,655.5	2,594.1	61.4
Vote 5 – Capital Expenditures	262.7	197.5	65.2
Statutory	253.7	264.3	(10.6)
Total net budgetary authorities	3,171.9	3,055.9	116.0

Vote 1 - Operating

CSC's Operating Vote **increased by \$61.4 million or 2.4%** compared to the authorities at the end of June 2023, which is attributed to the net effect of the following significant items:

- An **increase of \$90.7 million** related to compensation for the funded portion of collective agreement increases;
- An **increase of \$45.6 million** in funding to stabilize operations related to workplace injuries;
- An **increase of \$42.0 million** in funding to cover incremental expenditures due to changes in offender population volumes and price fluctuations;
- An **increase of \$15.1 million** in funding for equipment and licenses to maintain a hybrid workforce;
- An **increase of \$11.6 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- A **decrease of \$118.8 million** related to funding for class action lawsuits; and
- A **decrease of \$28.3 million** related to Refocusing Government Spending.

Vote 5 - Capital

CSC's Capital Vote **increased by \$65.2 million or 33.0%** compared to the authorities at the end of June 2023, which is related to the net effect of the following significant items:

- An **increase of \$51.6 million** in funding to maintain and repair correctional facilities;
- An **increase of \$14.6 million** in funding to reduce suspension points in correctional facilities;
- An **increase of \$8.6 million** in funding for essential network enhancements;
- An **increase of \$6.2 million** in funding to modernize existing security equipment infrastructure capability; and
- A **decrease of \$15.0 million** related to Refocusing Government Spending.

Budgetary Statutory Authorities

CSC's budgetary statutory authorities **decreased by \$10.6 million or -4.0%** compared to June 2023, which is mainly related to the department's allocation of the employer's share of the employee benefit plan.

2.2 Explanation of Significant Variances from Previous Year Expenditures

As reflected in the [Statement of Authorities](#) for the period ending June 30, 2024, CSC has seen an **increase** in total net budgetary expenditures of **\$95.7 million or 16.6%** for the current fiscal year compared to the previous fiscal year.

Comparison of net budgetary expenditures for the quarters ended June 30, 2024, and June 30, 2023

(in millions of dollars)

Net year-to-date expenditures	2024-25	2023-24	Variance
Vote 1 – Operating Expenditures	571.4	521.8	49.6
Vote 5 – Capital Expenditures	41.3	15.6	25.7
Statutory	59.8	39.4	20.4
Total net year-to-date expenditures	672.5	576.8	95.7

Vote 1 - Operating

CSC's operating expenditures **increased by \$49.6 million**, compared to the first quarter of 2023-24, mainly due to the following:

- Personnel expenditures **increased by \$34.4 million** primarily due to the ratification of several collective agreements at the end of June last year, including various increases in allowances, overtime cost increases, and a minor increase in the number of employees;
- Professional and special services **increased by \$6.4 million** primarily due to an increase in incremental expenditures which are due to changes in offender population volumes and price fluctuations; and
- Utilities, materials and supplies **increased by \$5.9 million** primarily due to an increase in incremental expenditures which are due to changes in offender population volumes and price fluctuations and also due to an increase in the allowance for footwear, which is payable every second year.

Vote 5 – Capital

CSC's capital expenditures **increased by \$25.7 million**, compared to the first quarter of 2023-24, mainly due to the following:

- Personnel expenditures **increased by \$4.1 million** primarily due to new employees hired since June 2023 in relation to funding received following Budget announcements, as well as to the ratification of several collective agreements at the end of June last year;
- Acquisition of land, buildings and works **increased by \$8.0 million**, mainly in construction projects to address aging critical infrastructure and to ensure the safety and security of CSC's facilities; and
- Acquisition of machinery and equipment **increased by \$12.3 million** primarily due to essential investments to meet operational requirements.

Budgetary Statutory Expenditures

CSC's statutory expenditures **increased by \$20.4 million**, compared to the first quarter of 2023-24, mainly attributable to the employer's contributions to the employee benefit plan due to an invoice being processed later in 2023-24 compared to this year.

3. Risks and Uncertainties

CSC's specific risks, as outlined in CSC's [Departmental Plan 2024-2025](#), 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 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 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.

4. Significant Changes in Relation to Operations, Personnel and Programs

During the first quarter of 2024-25, CSC experienced an unprecedented event as forest fires in the City of Port-Cartier in Quebec resulted in an evacuation order for the area. This led to the evacuation of 225 maximum security inmates from the Port-Cartier Institution to other federal institutions. It was a significant operation, requiring extensive work from staff and collaboration with various public safety partners. Given the urgency of this operation, CSC has experienced incremental costs associated with inmate transfers, including overtime and travel costs.

In the first quarter of 2024-25, the following changes have occurred within senior leadership:

- The Assistant Commissioner of Human Resource Management Sector has been assigned the role of Assistant Commissioner of Correctional Operations and Programs Sector; and
- The Assistant Commissioner of Correctional Operations and Programs Sector has been assigned the role of acting Senior Deputy Commissioner.

5. Approvals by Senior Officials

Approved by:

Original Signed By _____
Anne Kelly,
Commissioner

Original Signed By _____
Tony Matson,
Chief Financial Officer

Ottawa, Canada
August 17, 2024

6. Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	<i>Fiscal year 2024-2025</i>			<i>Fiscal year 2023-2024</i>		
	Total available for use for the year ending March 31, 2025*	Used during the quarter ended June 30, 2024	Year to date used at quarter-end	Total available for use for the year ending March 31, 2024*	Used during the quarter ended June 30, 2023	Year to date used at quarter-end
Vote 1 – Operating expenditures						
Gross operating expenditures	2,659,396	571,431	571,431	2,597,994	521,774	521,774
Vote-netted revenues	(3,943)	-	-	(3,943)	-	-
Net operating expenditures	2,655,453	571,431	571,431	2,594,051	521,774	521,774
Vote 5 – Capital expenditures	262,743	41,284	41,284	197,572	15,625	15,625
Budgetary statutory authorities						
CORCAN gross expenditures	116,424	24,215	24,215	111,974	21,082	21,082
CORCAN revenues	(117,551)	(28,040)	(28,040)	(113,809)	(25,538)	(25,538)
CORCAN net expenditures	(1,127)	(3,825)	(3,825)	(1,835)	(4,456)	(4,456)
Spending of proceeds from disposal of surplus Crown assets	608	50	50	2,840	-	-
Contributions to employee benefits plans	254,207	63,552	63,552	263,268	43,878	43,878
Refunds of amounts credited to revenues in previous years	-	26	26	-	-	-
Net budgetary statutory authorities	253,688	59,803	59,803	264,273	39,422	39,422
Total budgetary authorities	3,171,884	672,518	672,518	3,055,896	576,821	576,821
Non-budgetary authorities	45	-	-	45	-	-
Total authorities	3,171,929	672,518	672,518	3,055,941	576,821	576,821

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

7. Departmental Budgetary Expenditures by Standard Object (unaudited)

	<i>Fiscal year 2024-2025</i>			<i>Fiscal year 2023-2024</i>		
	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended June 30, 2024	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	2,156,085	523,321	523,321	2,052,044	463,128	463,128
Transportation and communications	27,936	4,878	4,878	24,589	4,531	4,531
Information	579	1,422	1,422	599	1,354	1,354
Professional and special services	496,215	65,935	65,935	506,890	58,472	58,472
Rentals	48,899	11,158	11,158	31,481	10,474	10,474
Purchased repair and maintenance	34,282	4,060	4,060	31,861	2,126	2,126
Utilities, materials and supplies	191,944	40,924	40,924	168,471	35,275	35,275
Acquisition of land, buildings and works*	202,712	18,139	18,139	112,268	10,107	10,107
Acquisition of machinery and equipment*	48,055	15,316	15,316	39,533	3,861	3,861
Transfer payments	1,620	-	-	1,020	112	112
Other subsidies and payments	85,052	15,405	15,405	204,892	12,919	12,919
Total gross budgetary expenditures	3,293,379	700,558	700,558	3,173,648	602,359	602,359
Less revenues netted against expenditures						
Vote-netted revenues	(3,943)	-	-	(3,943)	-	-
CORCAN	(117,552)	(28,040)	(28,040)	(113,809)	(25,538)	(25,538)
Total revenues netted against expenditures	(121,495)	(28,040)	(28,040)	(117,752)	(25,538)	(25,538)
Total net budgetary expenditures	3,171,884	672,518	672,518	3,055,896	576,821	576,821

* These are mainly Vote 5 (Capital) expenditures.