Courts Administration Service

Service administratif des tribunaux judiciaires

Quarterly Financial Report

for the quarter ended June 30, 2024

Canada

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Courts Administration Service
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For the quarter ended June 30, 2024

STATEMENT OUTLINING RESULTS, RISKS AND SIGNIFICANT CHANGES IN OPERATIONS, PERSONNEL AND PROGRAMS

Introduction

This quarterly report should be read in conjunction with the Main Estimates. It has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board. This quarterly report has not been subject to an external audit or review.

The role of the Courts Administration Service (CAS) is to provide administrative services to four superior courts of law: the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada. Further details on CAS' programs can be found in the 2024-25 Main Estimates.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CAS' spending authorities granted by Parliament and those used by the organization consistent with the 2024-25 Main Estimates. This quarterly report has been prepared using a prescribed financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or legislation in the form of statutory spending authority for specific purposes.

CAS 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.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Significant Changes to Authorities available for use for the fiscal year

As illustrated in the Statement of Authorities and the Departmental Budgetary Expenditures by Standard Object tables at the end of this report, yearly authorities available for use as at June 30, 2024 increased by $91,037 thousand (90%) compared to the same quarter in 2023-24, from $101,377 thousand to $192,414 thousand.

The increase in authorities is mainly due to $82,873 thousand in funding received for the National Courts Facilities Modernization Program (phase I and II). It also includes an increase of $7,535 thousand related to the signature of collective agreements. $6,204 thousand to Strengthen Service and Digital Capabilities to Modernize Canada's Federal Courts and $89 thousand for other smaller initiatives.

The above increases are partly offset by the decrease of $3,552 thousand resulting from reprofiles from 2022-23 to 2023-24, and a decrease of $2,112 thousand in contributions to employee benefit plans.

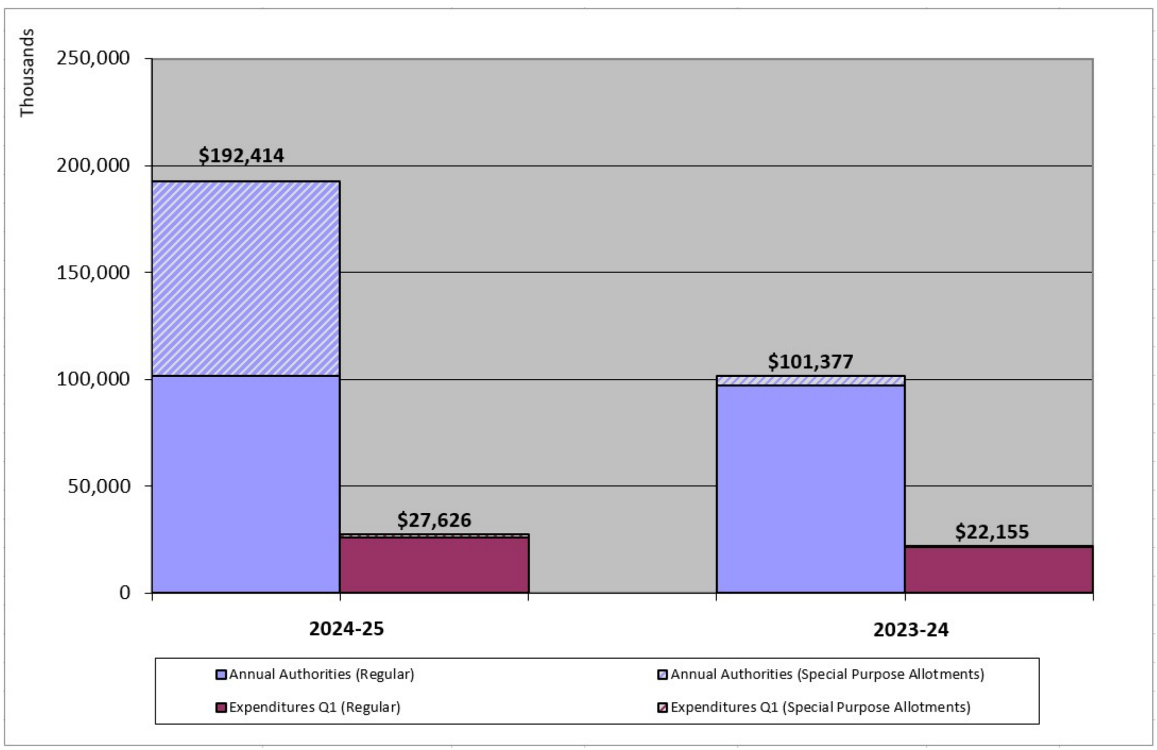
In 2024-2025, annual authorities include a significant portion of Special Purpose Allotments (SPA)[1] of 47% ($90,887 thousand out of a total of $192,414 thousand) compared to 4% ($4,471 thousand out of a total of $101,377 thousand) in 2023-2024. This variance represents an increase of $86,416 thousand in Special Purpose Allotments.

As a result of the Government expenditure management cycle and certain conditions imposed by Central Agencies, there are often significant fluctuations by quarter between authorities received and the timing of expenditures realized.

Significant Changes to Expenditures

Figure 1 presents current and prior fiscal year expenditures compared to annual authorities at the end of the first quarter. These results are discussed in the section below.

Figure 1 – First-quarter Expenditures Compared to Annual Authorities



First-quarter Expenditures

As illustrated in Figure 1, first-quarter expenditures increased by $5,471 thousand (25%) compared to the same period of the previous fiscal year, from $22,155 thousand to $27,626 thousand. As a result, 14% of the yearly authorities available for use were expended during the

[1] **Special purpose allotments (SPA)** are used to restrict the use of funds to specific programs or initiatives

first quarter of 2024-25, which reflects a decrease of 7% compared to the same quarter of 2023-24.

Significant variances[2] in expenditures are explained as follows:

Personnel

The year-to-date expenditures related to salaries increased by $3,393 thousand (19%) compared to the same period of the previous fiscal year, from $17,622 thousand to $21,015 thousand. This increase is mainly related to an increase in the number of employees to deliver on the Strengthen Service and Digital Capabilities to Modernize Canada's Federal Courts (SSDC) and National Courts Facilities Modernization Program (NCFMP) initiatives, as well as higher salaries rates relating to signature of collective agreements in 2023-24.

Professional and special services

The year-to-date expenditures related to professional and special services increased by $1,557 thousand (94%) compared to the same period of the previous fiscal year, from $1,648 thousand to $3,205 thousand. This increase was mainly due to timing variations related to the processing of invoices between quarters for translation and protection services. Other variances include an increase in engineering fees to support the new Montreal Justice complex and Toronto construction projects and an increase in IT consultants to support the SSDC initiative.

Transportation and Telecommunication

The year-to-date expenditures related to transportation and telecommunication increased by $235 thousand (49%) compared to the same period of the previous fiscal year, from $483 thousand to $718 thousand. This is mainly due to an increase in travel to support hearings and NCFMP.

Acquisition of machinery & equipment

The year-to-date expenditures related to acquisition of machinery & equipment increased by $140 thousand (452 %) compared to the same period of the previous fiscal year, from $31 thousand to $171 thousand. The increase is mainly due to the timing of IT equipment purchases.

Remaining expenditures by standard object with insignificant variances (rentals, information, repair and maintenance, utilities, materials and supplies, and acquisitions of land building and work).

For the remaining expenditures, the variances are immaterial compared to the same period of the previous fiscal year and results of the timing of the delivery of goods and services.

Risks and Uncertainties

CAS is currently facing significant financial risks that cannot be absorbed by the 2024-25 budget. The majority of non-personnel expenses incurred by CAS are non-discretionary costs for services supporting the judicial process, court hearings, and court security. They include translation services, protection services, informatics services, court reporters, transcripts and other similar

[2] Significant variances are defined as variances by standard object that are greater than $250 thousand or 25%.

costs. These costs are mostly driven by the volume, type and duration of hearings conducted in any given year, which are non-discretionary and can limit the organization's financial flexibility.

Amendments to the *Official Languages Act* have come into force in June 2024, requiring CAS to release in both official languages simultaneously decisions of precedential value, in addition to cases that raise questions of law of general public interest or national importance. The impact on CAS’ operations is very significant and resource intensive. CAS does not have the appropriate level of resources to meet these new legislative requirements.

CAS is also experiencing increased costs, case complexity and volume, which reduces CAS's ability to meet its obligations and invest in the new technology needed to optimize our processes and operations. CAS continues to address the risks associated with financial inflexibility by implementing a variety of mitigation strategies, including the establishment of baseline and multi-year budgets; reorganization and realignment of services, reallocation of resources, regular reassessment of priorities; exploring alternative funding models and finding efficiencies However, in the short term, all these efforts will not produce sufficient results to close the budget gap.

Significant changes in relation to operations, personnel and programs

There have been a number of changes to the executive management team since the last quarterly financial report:

- Michelle Wilson was appointed to the position of Registrar for the Tax Court of Canada, effective January 2024.

- Louis-Alexandre Guay was appointed to the position of Executive Director and General Counsel for the Tax Court of Canada, effective June 2024.

Approval by Senior Officials

Approved by:

Original signed by_______
Darlene H. Carreau, LL.B
Chief Administrator
and Chief Executive Officer

Original signed by______
Jean-Francois Talbot
Assistant Deputy Minister, Corporate Services and Chief Financial Officer

(Ottawa, Canada)
(September 4th, 2024)

STATEMENT OF AUTHORITIES *(unaudited)*

(in thousands of dollars)	**Fiscal year 2024-25**			**Fiscal year 2023-24**		
	Total available for use for the year ending March 31, 2025[3]	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[3]	Used during the quarter ended June 30, 2023	Year to date used at quarter-end
Vote 1 – Operating expenditures	$182,219	$25,105	$25,105	$92,593	$13,959	$13,959
Statutory authorities:						
Contributions to employee benefit plans	10,195	2,521	2,521	8,784	2,196	2,196
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	-	-	-
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Total budgetary authorities	**$192,414**	**$27,626**	**$27,626**	**$101,377**	**$22,155**	**$22,155**

[3] Includes only Authorities available for use and granted by Parliament at quarter-end.

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT *(unaudited)*

(In thousands of dollars)	Fiscal year 2024-25			Fiscal year 2023-24		
	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
Expenditures:						
Personnel	$83,420	$21,015	$21,015	$66,573	$17,622	$17,622
Transportation and communications	3,116	718	718	3,057	483	483
Information	517	273	273	893	254	254
Professional and special services	58,233	3,205	3,205	15,275	1,648	1,648
Rentals	5,954	1,402	1,402	4,771	1,268	1,268
Repair and maintenance	628	119	119	595	113	113
Utilities, materials and supplies	2,672	723	723	2,827	736	736
Acquisition of land, building and works	26,551	-	-	3,166	-	-
Acquisition of machinery and equipment	11,302	171	171	4,220	31	31
Other subsidies and payments	21	-	-	-	-	-
Total budgetary expenditures	**$192,414**	**$27,626**	**$27,626**	**$101.377**	**$22,155**	**$22,155**

Groupings can change between quarters due to materiality of initiatives.

Amounts may not balance with other public documents due to rounding.