



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended December 31, 2014

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended December 31, 2014

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**Statement Outlining Results, Risks and Significant Changes in
Operations, Personnel and Programs**

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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 (FAA)* and manner prescribed by the Treasury Board (TB). This quarterly report should be read in conjunction with the Main Estimates and the Supplementary Estimates A and B as well as *Canada's Economic Action Plan 2012 (Budget 2012)*, *Canada's Economic Action Plan 2013 (Budget 2013)*, and *Canada's Economic Action Plan 2014 (Budget 2014)*.

A summary description of the Treasury Board of Canada Secretariat (Secretariat) program activities can be found in *Part II of the Main Estimates*.

The quarterly report has been reviewed by the Departmental Audit Committee.

1.1 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Secretariat's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and the Supplementary Estimates A and B for the 2014-15 fiscal year. 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 monies 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.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.2 The Secretariat Financial Structure

The Secretariat manages both departmental and government-wide expenditures. Its departmental operating revenues and expenditures are managed under Vote 1, Program Expenditures.

Government-wide expenditures are managed via seven different votes:

- Vote 5, Government Contingencies which serves to supplement other appropriations to provide the Government with sufficient flexibility to meet miscellaneous, urgent or unforeseen departmental expenditures between Parliamentary supply periods;
- Vote 10, Government-Wide Initiatives which supplements other appropriations in support of the implementation of strategic management initiatives in the Public Service of Canada;
- Vote 15, Compensation Adjustments which supplements the appropriations of other government departments and agencies that may need to be partially or fully augmented as a result of adjustments made to terms and conditions of service or employment of the federal public service, including members of the Royal Canadian Mounted Police and the Canadian Forces, Governor in Council appointees and Crown corporations as defined in section 83 of the *Financial Administration Act*;
- Vote 20, Public Service Insurance which covers revenues and expenses related to Treasury Board's role as the employer of the core public

administration. This includes revenues and expenses for the Public Service Health Care Plan, Public Service Dental Care Plan, Disability Insurance, Provincial Payroll Taxes (Manitoba, Newfoundland, Ontario and Quebec) and other programs;

- Vote 25, Operating Budget Carry Forward which supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year;
- Vote 30, Paylist Requirements which covers paylist requirements for departments and agencies related to legal requirements for the government as employer for items such as parental benefits and severance payments; and
- Vote 33, Capital Budget Carry Forward which supplements other appropriations for the carry forward of unused capital funds from the previous fiscal year. This vote was created in 2011-12.

With the exception of Vote 20, these votes are approved by Parliament for the eventual transfer of funding to other government departments once specified criteria are met. The Secretariat does not incur any revenue or expenses related to these votes and thus they are not reflected in the Statement of Authorities tables.

The Secretariat also incurs costs under Statutory Authorities, both for departmental and government-wide payments made under legislation approved previously by Parliament, which are not part of the Annual Appropriation Bills. These expenditures mainly reflect the employer's share of Public Service Pension Plans, the Canada/Quebec Pension Plans, Employment Insurance premiums and Public Service Death Benefits. These expenditures are also initially charged to the accounts of the Secretariat but are eventually attributed to the statutory vote contributions to employee benefit plans of each department and agency, including the Secretariat.

2. Highlights of Fiscal Quarter and Fiscal

Year-to-Date

This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended December 31, 2014.

Statement of Authorities - Vote 1, Program Expenditures

Program Expenditure Authorities increased by \$86.9 million from fiscal year 2013-14 to 2014-15, or by 38%. The change is mainly due to the net effect of the factors below:

- Total net increases of \$99.4 million in funding in 2014-15 related to Budget announcements, key initiatives, and other recent approvals including:
 - \$74.9 million for a settlement of claims against the crown;
 - \$21.4 million for the Workspace Renewal Initiative, the Classification Program, and the Workplace Wellness and Productivity Strategy (Budget 2014); and
 - \$3.1 million for the Web Renewal Initiative (Budget 2013).
- These increases were offset by net decreases of funding of \$12.5 million comprised of:
 - a \$7.6 million reduction in funding as part of the Economic Action Plan 2012. This is the final year of the three-year implementation period for the Secretariat for a cumulative and on-going savings of \$23.6 million;
 - \$3.4 million in transfers from central votes. This includes a \$5.4M decrease in operating budget carry forward and a \$2M increase in compensation adjustments; and
 - \$1.5 million in transfers to Other Government Departments. This includes transfers to the Canada School of Public Service for the National Managers' Community and the Federal Youth Network and

to Shared Services Canada for the Workplace Technology Devices Initiative (Budget 2013).

Vote 1 expenditures to December 31, 2014 increased by approximately \$60.3 million or 37% when compared to the same period in fiscal year 2013-14.

This is comprised of the following increases:

- a \$69.1 million payout for the settlement of claims against the crown;
- \$6 million due to a one-time transition payment for salary payments in arrears by the Government of Canada; and
- \$1.1 million for other miscellaneous transactions.

This is offset by:

- a temporary decrease of \$7.9 million in flow-through receipts from Other Government Departments to be transferred to Public Works and Government Services Canada (PWGSC) related to the Human Resources Transformation Initiative.
- further decreases of \$8 million in personnel mainly attributable to one-time severance payments.

Graph 1 outlines the Net Budgetary Authorities for Vote 1, Program Expenditures, which represent the resources available for use for the year (blue bars) as well as the year-to-date expenditures (red bars).

Table 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of December 31, for fiscal years 2013-14 and 2014-15

Vote 1 (in millions \$)	2013-2014	2014-2015	Variance
Net Budgetary Authorities	228.7	315.7	87.0
Year-to-date expenditures ending December 31	161.2	221.5	60.3

Statement of Authorities -Vote 20, Public Service

Insurance

Public Service Insurance Payments include the employer share of the Public Service Health Care Plan (PSHCP), the largest such plan in Canada, as well as other benefit plans and provincial payroll taxes.

There was a minimal decrease in Vote 20 Authorities of \$8.2 million, or 0.4%, from 2013-14 to 2014-15 mainly due to reductions related to the 2008 Vote 20 Vertical Strategic Review. This is the sixth of the seven-year implementation period.

Vote 20 net expenditures increased by \$42.5 million, or 2.8%, when compared to the same period in 2013-14. This is comprised of the following increases:

- \$55.1 million for the Public Service Health Care Plan. The increase is attributable to a higher unit cost per claim and higher plan utilization rates by the membership, as well as increase in the plan's membership population;
- \$8.8 million due to a reduction in revenues. This is due to lower recoveries from Citizenship and Immigration Canada related to the Passport Office, as well as from the Canadian Grains Commission, PWGSC, and Employment and Social Development Canada; and
- \$5.8 million for the Pensioners' Dental Services Plan. The variation largely reflects the transition of employees from the Public Service Dental Care Plan to the Pensioner's Dental Services Plan following the Deficit Reduction Action Plan.

This is offset by a decrease of \$27.2 million due to the timing of payments that occurred earlier in 2013-14 as compared to 2014-15.

Graph 2 outlines the Net Budgetary Authorities for Vote 20, Public Service Insurance, which represent the resources available for use for the year (blue bars), as well as year-to-date expenditures (red bars).

Table 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of December 31, for fiscal years 2013-14 and 2014-15

Vote 20 (in millions \$)	2013-2014	2014-2015	Variance
Net Budgetary Authorities	2,268.2	2,260.0	-8.2
Year-to-date expenditures ending December 31	1,543.1	1,585.6	42.5

Statement of Authorities – Statutory Authorities

Statutory Authorities, which reflect the Secretariat's share of pension and related benefits, as well as contributions to cover the actuarial deficit in the *Public Service Superannuation Act* (PSSA), have decreased by \$0.9 million when compared to the same period of 2013-14. The decrease is largely due to a reduction in the contributions to employee benefit plans.

The Secretariat's Statutory expenditures have a large credit balance at the end of the third quarter in both fiscal years. This is due to the timing of flow-through payments to PWGSC primarily related to employer contributions made under the PSSA. The Secretariat receives the employee contribution of the pension payments from Government departments and agencies and then transfers them to PWGSC to fund the PSSA. The net effect on the financial statements of the Secretariat will be zero at year-end.

Graph 3 outlines the Net Statutory Authorities (blue bars), as well as actual expenditures for the Secretariat's Statutory Authorities (red bars).

Table 3: Comparison of Net Statutory Authorities and Net Expenditures for Statutory Authorities as of December 31, for fiscal years 2013-14 and 2014-15

Statutory Authorities (in millions \$)	2013-14	2014-15	Variance
Net Statutory Authorities	471.4	470.5	-.9
Year-to-date net expenditures ending December 31	-265.2	-170.7	94.5

Statement of Departmental Budgetary Expenditures by Standard Object

This section elaborates on variances in expenditures for Statutory items, Vote 20, and Vote 1 by standard object in order to explain changes in spending trends from the same quarter the previous fiscal year.

Year-to-date personnel expenditures have increased by \$125.2 million resulting from an increase of \$94.5 million in Statutory expenditures, \$38.7 million in Vote 20, and a decrease of \$8 million in Vote 1.

- The \$94.5 million increase in Statutory expenditures is related to recoveries from other departments and agencies related to employee benefit plans. This is mainly due to a reduced rate in 2014-15 as compared to 2013-14.
- The \$38.7 million increase in Vote 20 personnel expenditures is mainly attributed to an increase in claims in the Public Service Health Care Plan, and Pensioners' Dental Services Plan offset by the timing of other plan payments that occurred earlier in 2013-14 as compared to 2014-15.
- The \$8 million decrease in personnel expenditures for Vote 1 is mainly attributed to a reduction in severance payments. These were one-time severance payments made in 2013-14 which did not re-occur.

Year-to-date expenditures for rentals have increased by \$4.5 million. This is mainly due to additional license fees in support of the Financial Management Transformation Initiative.

Year-to-date expenditures for other subsidies and payments have increased by \$62.7 million. This is mainly due to settlement of claims against the crown.

There were no significant variances to report in the other standard objects.

3. Risks and Uncertainties

The Secretariat maintains a Corporate Risk Profile which identifies and assesses high-level risks that could affect the achievement of the Secretariat objectives and priorities. Similar to most organizations, certain risks could have financial impacts should they materialize. Response strategies have been developed and measures are in place to minimize their likelihood. For example, in a context where the pace and complexity of efforts to standardize and consolidate back-office systems poses some challenge and risk, the Secretariat continues to focus on ensuring that appropriate policies, frameworks, tools and guidance are in place to support more efficient enterprise-wide approaches and operational savings.

The Secretariat is addressing reduced flexibility to its operating budget through reduced budget allocations to sectors supported by rigorous monitoring of staffing and expenditures against financial, human resources targets and priority commitment performance.

As the Public Service Health Care Plan is driven by many variables, there could be significant shifts from the budget in a given year as a result of changes in: plan membership, the cost of drugs and medical treatments, use of plan entitlements and provincial tax regulations. The Secretariat continues to closely monitor payment activity and trends.

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

This section highlights significant changes which occurred in the department during the current quarter related to Operations, Personnel and Programs.

The President of the Treasury Board released the Government of Canada's Action Plan on Open Government 2.0. This announcement further strengthens the government's commitments to ensure citizen engagement, fiscal transparency and better public services through open government.

In support of the move to Canada.ca, TBS is restructuring how it presents its content on the current TBS website to better inform and serve Canadians and clients. To support this user-focused approach, the department will present its information and services by topic, such as human resources, financial and expenditure management, information management, etc.

5. Economic Action Plan 2012 (Budget 2012) Implementation

This section provides an overview of the savings measures announced in the Budget, implemented in order to: modernize government and programs; make it easier for Canadians and businesses to interact with government; and, modernize and reduce back office inefficiencies.

The Secretariat has fully achieved the Budget 2012 savings of \$23.6 million in 2014-15 (and ongoing) by implementing efficiency measures and program reductions that aligned resources to its core mandate, transformed internal processes, and streamlined and focused internal operations. With these changes the Secretariat focused on supporting management excellence and accountability across government.

To achieve the ongoing savings, the Secretariat eliminated 178 positions across the department.

Details regarding the Secretariat's Budget 2012 reductions are available online ([Supplementary Data on Budget 2012 Implementation](#)).

There are no financial risks or uncertainties related to these savings.

6. Approval by Senior Officials

Approved by,

Yaprak Baltacioğlu, Secretary

Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

Date:

Appendix

For the quarter ended December 31, 2014

**Table 1 - Departmental budgetary expenditures by Standard Object (*unaudited*)
(in dollars)**

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended Dec 31, 2014
Expenditures:					
1 Personnel	3,354,681,612	467,935,357	1,659,707,806	3,353,853,519	504,128,287
2 Transportation and communications	3,495,388	496,355	1,082,751	3,022,495	
3 Information	506,926	110,938	295,095	3,546,889	
4 Professional and special services	55,480,286	22,000,673	48,187,680	56,687,279	18,123,411
5 Rentals	1,098,807	329,949	1,983,416	2,739,897	
6 Repair and maintenance	1,256,362	98,244	288,480	1,477,341	
7 Utilities, materials and supplies	1,092,025	100,365	341,546	1,023,625	

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2013-2014			Fiscal year	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended Dec
9 Acquisition of machinery and equipment	10,013,559	256,197	1,243,799	4,668,247	
10 Transfer payments	520,000	101,169	457,104	500,001	
12 Other subsidies and payments	4,813,740	3,426,989	5,694,179	91,796,016	16
Total gross budgetary expenditures	3,432,958,705	494,856,237	1,719,281,858	3,519,315,309	540
Less Revenues netted against expenditures:					
Vote Netted Revenues (VNR) - Centrally managed items	-450,980,664	-99,936,185	-275,605,046	-459,001,612	-101
Vote Netted Revenues (VNR) - Program expenditures	-13,680,699	-1,188,345	-4,569,110	-14,141,304	-1
Total Revenues netted against expenditures	-464,661,363	-101,124,531	-280,174,156	-473,142,916	-103

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended Dec 31, 2014
Total net budgetary expenditures	2,968,297,342	393,731,706	1,439,107,701	3,046,172,393	437,000,000

Note 1

Government-Wide Expenses included above *

1 Personnel	3,160,742,061	417,773,601	1,505,837,216	3,159,863,009	454,000,000
2 Transportation and communications	0	60	11,634	0	
4 Professional and special services	0	10,736,088	24,249,729	0	7,000,000
5 Rentals	0	0	1,995	0	
10 Transfer payments	520,000	1,169	353,504	500,000	
12 Other subsidies and payments	918,264	947,049	2,029,218	1,640,811	1,000,000
Total	3,162,180,325	429,457,967	1,532,483,296	3,162,003,820	463,000,000

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

Table 2 - Statement of Authorities (*unaudited*)

(in dollars)

	Fiscal year 2013-2014			Fiscal year 2	
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Total available for use for the year ending March 31, 2015 *	Used during quarter ended Dec 31,
Vote 1 - Program Expenditures	228,709,442	57,189,877	161,169,308	315,655,712	68,42
Vote 20 - Public Service Insurance	2,268,179,661	459,553,377	1,543,148,723	2,260,002,208	464,10
Statutory Authorities					
A111 - President of the Treasury Board - Salary and motor car allowance	79,102	19,675	59,025	80,300	2
A140 - Contributions to employee benefit plans	28,309,137	7,000,373	21,001,118	27,434,173	6,85

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

	Fiscal year 2013-2014			Fiscal year 2	
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Total available for use for the year ending March 31, 2015 *	Used during quarter ended Dec 31,
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	443,000,000	-130,057,669	-286,350,575	443,000,000	-102,30
A681 - Payments under the Public Service Pension Adjustment Act	20,000	2	3	0	

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

	Fiscal year 2013-2014			Fiscal year 2	
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended Dec 31, 2013	Year to date used at quarter-end	Total available for use for the year ending March 31, 2015 *	Used during quarter ended Dec 31,
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	26,072	80,099	0	
Total Statutory Authorities	471,408,239	-123,011,548	-265,210,330	470,514,473	-95,42
Total authorities	2,968,297,342	393,731,706	1,439,107,701	3,046,172,393	437,10

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

Date modified: 2017-01-05