



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended June 30, 2015

Published: 2015-06-30

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Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT12-9E-PDF
ISSN: 2561-1852

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Rapport financier trimestriel du SCT pour le trimestre terminé le 30
juin 2015

Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2015

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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 as well as Canada's Economic Action Plan 2013 (Budget 2013), and Canada's Economic Action Plan 2014 (Budget 2014), and Canada's Economic Action Plan 2015 (Budget 2015).

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) for the 2015-16 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.

Highlights of Fiscal Quarter and Fiscal Year-to-Date

In the following section on financial highlights, the Department is providing explanations for differences for the fiscal quarter at June 30, 2015 as compared to the same period last year, exceeding a materiality threshold of \$1M.

Statement of Authorities – Vote 1, Program Expenditures, Vote 20, Public Service Insurance, and

Statutory Authorities

Total budgetary authorities available for use decreased in 2015-16 from those of 2014-15 by \$82.2M (3%). This net decrease is the result of decreases in Vote 1 spending authority of \$72.5M, decreases in Vote 20 Public Service Insurance spending authority of \$9.9M, and an increase of spending authority to make Statutory Payments of \$0.2M.

The change in spending authority is summarized below:

Vote	Explanation of Change (thousands of dollars)	Change (\$)
1	Out-of-court settlement for claims against the Crown	-74,920
1	Sunset of funding for the Workspace Renewal Initiative	-8,888
1	National Managers' Community - return to fiscal framework and transfer to Canada School of Public Service	-2,300
1	Sunset of funding for the Web Renewal Initiative	-1,987
1	Other miscellaneous departmental requirements	-493
1	Funding from other government departments and agencies for the Back Office Transformation Initiative	16,067
1	Total Vote 1 Expenditures	-72,521
20	Vertical Review 2008 savings	-10,200
20	Other miscellaneous departmental requirements	268
20	Total Vote 20 Expenditures	-9,932
(S)	Total Statutory Expenditures	220
Total Treasury Board Secretariat		-82,233

The change in Vote 1 TBS Program authorities is primarily due to a decrease in funding set aside to pay out claims against the Crown related to the White Class Action out-of-court settlement as the majority of claimants were paid in 2014-2015. In addition, funding set aside to implement phase 1 of the

Workspace Renewal and Web Renewal Initiatives sunset this year contributed to this decrease as did the funding returned to the fiscal framework and transferred to the Canada School of Public Service to support the National Managers' Community. These decreases were offset by an increase in authority to spend up to \$16.1M in new funding received from other government departments and agencies to implement the Government-wide Back Office Transformation Initiative.

The decrease in Vote 20 Public Service Insurance spending authority is primarily due to funds returned to the fiscal framework related to 7th and final year of savings achieved through implementation of the 2008 Vote 20 Public Service Insurance Strategic Review.

Statement of Departmental Budgetary Expenditures by Standard Object

In Q1, "net budgetary expenditures" decreased \$1.1M (0.2%) as compared to the same quarter last year. The change in expenditures by standard object is summarized below:

Standard Object	Description	Vote and Explanation of Change (thousands of dollars)	Change (\$)
1	Personnel	Vote 20 - Mainly due to cost of benefit plan improvements for the PSHCP	11,901
		Stat Items - Mainly due to the timing of flow through payments to PWGSC	7,529
		Vote 1 - Reduction in Personnel	-1,559

Standard Object	Description	Vote and Explanation of Change (thousands of dollars)	Change (\$)
4	Professional Services	Vote 1 - Web Renewal Initiative, legal services, translation services	1,173
		Vote 20 - Joint Learning Program and Pensioners' Dental Service Plan	1,163
12	Other subsidies & Payments	Vote 1 - Mainly due to a one-time transition payment in 2014-15 for salary in arrears to TBS employees	-6,183
45/46	Vote Net Revenue	Vote 20 - Mainly due to an increase in revenue from the PSHCP as a result of higher contributions from pensioners as of April 1, 2015	-14,755
Other miscellaneous departmental requirements			-327
Total Treasury Board Secretariat			- 1 058

The standard objects with a significant increase in Q1, as compared to the same quarter last year, were:

- Personnel (\$17.9M) – This is comprised of increases in Vote 20 (\$11.9M) and Statutory expenditures (\$7.5M) offset by a decrease in Vote 1 (\$1.5M).
 - Vote 20 (\$11.9M) – This is primarily due to the cost of benefit plan improvements for the Public Service Health Care Plan (PSHCP) which came into effect on October 1, 2014 and to a lesser extent, the residual impact from the elimination of the annual deductible on PSHCP, which came into effect on January 1, 2015.
 - Statutory Expenditures (\$7.5M) – This is mainly due to the timing of flow-through payments to Public Works and Government Services

Canada (PWGSC) primarily related to employer contributions made under the *Public Service Superannuation Act* (PSSA). The Secretariat receives the employer contributions to the pension plans of employees from Government departments and agencies and then transfers them to PWGSC to fund the PSSA.

- Vote 1 (\$1.5M) – This is primarily due to a reduction in personnel expenditures including a decline in requirements for centrally funded items such as severance and maternity payments.
- Professional and Special Services (\$2.3M) – This is comprised of Vote 1 (\$1.2M) and Vote 20 (\$1.1M).
 - Vote 1 (\$1.2M) – This is primarily for services to implement the Web Renewal Initiative, legal services, and translation services.
 - Vote 20 (\$1.1M) – This is for services related to the Joint Learning Program and the Pensioners' Dental Service Plan.
- Subsidies and Payments (\$6.1M) – This is primarily due to a one-time Vote 1 transition payment for salary in arrears for TBS employees.

There was an increase in revenue in Q1:

- Vote Net Revenue (\$14.8M) – This is mainly due to an increase in Vote 20 revenue from the Public Service Health Care Plan as a result of higher contributions received from pensioners, as of April 1, 2015.

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.

In a context where the pace of change and complexity is high, consolidating Government of Canada back-office systems poses some challenge and risk. In response, the Secretariat continues to focus on ensuring that appropriate

policies, frameworks, tools and guidance are in place to support more efficient enterprise-wide approaches.

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 performance standards. Continuation of the federal operating budget freeze into fiscal year 2015-16 could create additional financial pressures for the Secretariat who will then be required to reallocate resources to fund salary increases arising from collective agreements settled over the year.

The cost of delivering the Public Service Health Care Plan is driven by many variables. There could be significant shifts in spending in a given year resulting from 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 spending activity and trends.

Significant Changes in Relation to Operations, Personnel and Programs

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

A new Program Alignment Architecture (PAA) has been implemented for TBS in fiscal year 2015-16. The PAA is the reporting framework that allows the Secretariat to display to Canadians the programs it delivers; the money that is being spent to deliver these programs and what Canadians are getting for this money. The Secretariat revised its PAA to better reflect core business activities and positions TBS to tell its results and performance story to Cabinet, Parliament and citizens in a simple and sustainable way.

As part of the Workplace Renewal Initiative, TBS is consolidating its operations from 11 locations to three by 2018. The new offices have been designed to meet the Government of Canada Workplace 2.0 fit-up standards

and offer a truly modern workplace. One of the locations, the James Michael Flaherty Building, located at 90 Elgin Street, will house approximately 65% of TBS's staff. The move to this location began in April 2015 and should be completed by August 2015.

Approval by Senior Officials

Approved by,

Original signed by

Original signed by

Yaprak Baltacioğlu, Secretary

Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

August 26, 2015

Appendix

For the quarter ended June 30, 2015

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

	Fiscal year 2014-2015			Fiscal year	
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expe durir quar ende June
Expenditures:					
1 Personnel	3,353,645,199	539,186,255	539,186,255	3,354,698,206	557
2 Transportation and communications	2,792,869	214,131	214,131	2,197,671	
3 Information	3,512,178	65,464	65,464	522,397	
4 Professional and special services	52,638,932	10,352,153	10,352,153	69,615,421	12
5 Rentals	2,531,740	649,981	649,981	3,806,894	
6 Repair and maintenance	1,365,104	77,904	77,904	610,064	
7 Utilities, materials and supplies	945,858	56,578	56,578	760,963	

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc contributions made under the *PSSA* and other retirement acts and the *Employment 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 2014-2015			Fiscal year	
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June
9 Acquisition of machinery and equipment	4,313,589	807,792	807,792	2,526,721	
10 Transfer payments	500,001	351,184	351,184	500,000	
12 Other subsidies and payments	90,638,560	7,274,690	7,274,690	7,261,676	1
Total gross budgetary expenditures	3,512,884,030	559,036,132	559,036,132	3,442,500,013	572
Less Revenues netted against expenditures:					
Vote Netted Revenues (VNR) - Centrally managed items	-459,001,612	-67,831,094	-67,831,094	-471,752,479	-82
Vote Netted Revenues (VNR) - Program expenditures	-14,141,304	0	0	-13,238,655	
Total Revenues netted against expenditures	-473,142,916	-67,831,094	-67,831,094	-484,991,134	-82

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc 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 2014-2015			Fiscal year	
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015
Total net budgetary expenditures	3,039,741,114	491,205,038	491,205,038	2,957,508,879	490,818,929
Government-Wide Expenses included above *					
1 Personnel	3,159,863,009	491,273,077	491,273,077	3,162,413,876	510,818,929
2 Transportation and communications	0	577	577	0	
4 Professional and special services	0	6,190,926	6,190,926	0	7
5 Rentals	0	998	998	0	
10 Transfer payments	500,000	351,184	351,184	500,000	
12 Other subsidies and payments	1,640,811	1,002,167	1,002,167	1,909,207	1
Total	3,162,003,820	498,818,929	498,818,929	3,164,823,083	510,818,929
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the <i>PSSA</i> and other retirement acts and the <i>Employment Payments</i> made under the <i>Public Service Pension Adjustment Act</i>; Payments for tort settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i>.</p>					

**Table 2 - Statement of Authorities (*unaudited*)
(in dollars)**

	Fiscal year 2014-2015			Fiscal year 2015-2016	
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended June 30, 2015
Vote 1 - Program Expenditures	309,224,433	53,338,585	53,338,585	236,703,394	46,338,585
Vote 20 - Public Service Insurance	2,260,002,208	563,636,582	563,636,582	2,250,070,604	562,000,000
Statutory Authorities					
A111 - President of the Treasury Board - Salary and motor car allowance	80,300	20,075	20,075	82,100	20,075
A140 - Contributions to employee benefit plans	27,434,173	6,858,543	6,858,543	27,652,781	6,858,543
* Includes only Authorities available for use and granted by Parliament at quarter-end					

	Fiscal year 2014-2015			Fiscal year 2015-2016	
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended June 30, 2015
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	443,000,000	-132,665,198	-132,665,198	443,000,000	-125,100,000
A681 - Payments under the Public Service Pension Adjustment Act	0	6	6	0	0

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

	Fiscal year 2014-2015			Fiscal year 2015-2016	
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended June 30, 2015
A683 - Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i>	0	16,444	16,444	0	
Total Statutory Authorities	470,514,473	-125,770,129	-125,770,129	470,734,881	-118,200,000
Total authorities	3,039,741,114	491,205,038	491,205,038	2,957,508,879	490,100,000

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

Date modified: 2017-01-05