



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

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

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

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

Table of Contents

- 1. Introduction
 - 1.1 Basis of Presentation
 - 1.2 Secretariat Financial Structure
- 2. Highlights of Fiscal Quarter and Fiscal Year-to-Date
 - Statement of Voted and Statutory Authorities
 - Statement of Departmental Budgetary Expenditures by Standard Object
- 3. Risks and Uncertainties
- 4. Significant Changes in Relation to Operations, Personnel and Programs
- 5. Approval by Senior Officials
- Appendix

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). The 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), 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. The 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 (PSHCP), Public Service Dental Care Plan, Disability Insurance, Provincial Payroll Taxes (Manitoba, Newfoundland, Ontario and Quebec), Public Service Management Insurance Plan (PSMIP) 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 payroll 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.

The funding within these votes is approved by Parliament. With the exception of Vote 20, the funding for Government-wide expenditures is eventually transferred from the Secretariat 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, the Department highlights the financial results and provides explanations for differences for the fiscal quarter ended September 30, 2015 as compared to the same period last year, exceeding a materiality threshold of \$1M.

Highlights of Fiscal Quarter and Fiscal Year to Date (thousands of dollars)

	14-15 Authorities to March 31, 2014	15-16 Authorities to March 31, 2015	Variance in Authorities	Year-to-date expenditures as at Q2 2014	Year-to-date expenditures as at Q2 2015	Varia Expe
Vote 1 - Program Expenditures	315,727	247,911	-67,815	153,065	98,591	
Vote 20 - Public Service Insurance	2,260,002	2,250,071	-9,932	1,121,494	1,120,528	
Statutory Authorities	470,514	470,735	220	-75,272	-138,717	
Total	3,046,244	2,968,717	-77,527	1,199,288	1,080,402	

Statement of Voted and Statutory Authorities

Total budgetary authorities available for use decreased in 2015-16 from those in 2014-15 by \$77.5M (2.5%). This net decrease is the result of a decrease in Vote 1 spending authority of \$67.8M and a decrease in Vote 20 Public Service Insurance spending authority of \$9.9M, offset by 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 (Phase 1)	-9,923
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 TBS-led government-wide Back Office Transformation Initiative	16,067
1	Net increase in the Operating Budget Carry forward	4,706
1	Funding for the Workspace Renewal Initiative (Phase 2)	1,035
1	Total Program Expenditures	-67,815
20	Vertical Review 2008 savings	-10,200
20	Other miscellaneous departmental requirements	268
20	Total Public Service Insurance	-9,932
(S)	Total Statutory Expenditures	220
Total Authorities		-77,527

The change in Vote 1 TBS Program authorities is primarily due to a decrease in funding set aside for the payout of an out-of-court settlement under the White class action lawsuit as the majority of claimants were paid in 2014-15. In addition, the sunset of funding set aside to implement phase 1 of the Workspace Renewal Initiative and Web Renewal Initiative 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 TBS-led government-wide Back Office Transformation Initiative, an increase in the operating budget carry forward from 2014-15 to 2015-16, and new authority to implement phase 2 of the Workspace Renewal Initiative.

The decrease in Vote 20 Public Service Insurance spending authority is primarily due to funds returned to the fiscal framework related to the seventh 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

At the end of Q2, “net budgetary expenditures” had decreased by \$118.9M (9.9%) as compared to the same period last year. The change in expenditures by standard object is summarized below:

Standard Object	Description	Vote and Explanation of Change (2015-16 compared to 2014-15)	Change (thousands of dollars)
1	Personnel	Vote 20 - Mainly due to the increase in costs per service and the cost of benefit plan improvements for the PSHCP, offset by a premium holiday for PSMIP	33,024
		Stat Items - Mainly due to timing differences of payments and recoveries for <i>Public Service Superannuation Act (PSSA)</i>	-63,446
		Vote 1 - Reduction in Personnel	-1,688
4	Professional Services	Vote 1 - Mainly due to the requirement to expend funds for phase 1 of the Workspace Renewal Initiative and increased costs for TBS legal services	5,734
		Vote 20 - Mainly due to PSHCP with the balance related to the Joint Learning Program	1,523

Standard Object	Description	Vote and Explanation of Change (2015-16 compared to 2014-15)	Change (thousands of dollars)
5	Rentals	Vote 1 - Mainly due to the one-time purchase of licenses recorded in 2014-15 in support of Financial Management Transformation Initiative (part of the TBS-led government-wide Back Office Transformation Initiative) that was not required in 2015-16	-5,023
12	Other Subsidies & Payments	Vote 1 - Mainly due to 2014-15 payout of an out-of-court settlement to eligible claimants under the White class action lawsuit and a one-time transition payment for salary in arrears to TBS employees	-51,817
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 and an increase in recoveries as a result of higher salary forecasts for personnel whereby increases in revenues offsets the amount of expenses required for Vote 20	-37,175
Other miscellaneous departmental requirements			-18
Total Expenditures			-118,886

The standard objects with a significant change at the end of Q2, as compared to the same period last year, were:

- Personnel (\$32.1M) – This is comprised of an increase in Vote 20 (\$33.0M) offset by a decrease in Statutory expenditures (\$63.4M) and Vote 1 (\$1.7M).
 - Vote 20 (\$33.0M) – The increase in expenditures is primarily due to higher costs per service for the PSHCP, the impact of plan design changes 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. These increases are offset by decreased expenditures for the PSMIP attributable to the premium holiday that came into effect on January 1, 2015, reducing the amount that the employer has to contribute.

- Statutory Expenditures (\$63.4M) – The Secretariat recovers from other government departments and agencies their share of the employer contributions to the pension plan and transfers them to Public Services and Procurement Canada to offset payment charges. The decrease in statutory expenditures is mainly due to the timing of flow-through payments primarily related to employer contributions made under the *Public Service Superannuation Act (PSSA)*. The net effect on the financial statements of the Secretariat will be zero by year-end.
- Vote 1 (\$1.7M) – 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 (\$7.3M) – This is comprised of the following increases:
 - Vote 1 (\$5.7M) – This is primarily for services related to phase 1 of the Workspace Renewal Initiative including post move fit-up costs at the 90 Elgin Street location and for legal services.
 - Vote 20 (\$1.5M) – This is primarily for services related to the PSHCP with the balance related to the Joint Learning Program.
- Rentals (\$5.0M, Vote 1) - This is mainly due to the one-time purchase of licenses that was recorded in 2014-15 in support of the Financial Management Transformation Initiative of which the majority of costs were recovered from other governments departments by the end of 2014-15.
- Subsidies and Payments (\$51.8M, Vote 1) – This is mainly due to the payout of an out-of-court settlement to eligible claimants under the White class action lawsuit and a one-time transition payment for implementing salary in arrears for TBS employees.

There was an increase in Revenue in Q2:

- Vote Net Revenue (\$37.2M, Vote 20) – This is mainly due to an increase in revenue from pensioner members for the PSHCP following increases to contribution rates that came into effect on April 1, 2015 and an

increase in recoveries as a result of higher salary forecasts for personnel related to the delivery of the CPP and EI programs.

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.

There is a risk that constantly evolving cyber threats could compromise Government of Canada information systems, infrastructure and data with potentially significant disruptions to Government of Canada program and service delivery. TBS is progressively evolving its risk response, including learning lessons from significant incidents, in order to keep up with the pace of technology and counter significant threats.

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. Also, the Secretariat has recently established the Enterprise Project Management Office to more proactively manage back office transformation activities.

The Secretariat is addressing a declining operating budget by reducing allocations to Sectors supported by rigorous monitoring of staffing and expenditures against financial, human resources targets and performance standards.

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, and if necessary will seek contingency funding for 2015-16.

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) was 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 Workspace Renewal Initiative, TBS will be 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, houses approximately 65% of TBS's staff. The move to this location began in April 2015 and was completed in August 2015. All employees moving to 219 Laurier in 2017 – approximately 35% of TBS's staff – were consolidated into the East Tower of L'Esplanade Laurier (140 O'Connor Street) at the end of October 2015.

As part of the Web Renewal Initiative, TBS is migrating its web content from the TBS website to Canada.ca in phases with completion planned for fall 2015.

In September 2015, the Expenditure Management Sector announced the release of InfoBase+ to replace the *Expenditure Database* that was discontinued during summer 2015. InfoBase+ gives users direct access to detailed information on spending, authority, lapse and personnel data at the government and department level.

Other notable changes include Anne Marie Smart's appointment as the Chief Human Resources Officer effective August 10, 2015.

Approval by Senior Officials

Approved by,

Original signed by

Original signed by

Ottawa, Canada

Date: November 30, 2015

Appendix

For the quarter ended September 30, 2015

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

	Fiscal year 2014-2015			Planned expenditure: for the year ending March 31, 2015
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	
Expenditures:				
1 Personnel	3,353,645,199	741,642,309	1,280,828,564	3,354,698,2
2 Transportation and communications	3,022,495	347,725	561,855	2,558,1
3 Information	3,546,889	76,526	141,990	594,5
4 Professional and special services	56,966,842	18,160,916	28,513,069	78,759,4
5 Rentals	2,739,897	5,358,227	6,008,208	4,309,3
6 Repair and maintenance	1,477,341	215,134	293,038	854,3
7 Utilities, materials and supplies	1,023,625	154,101	210,678	890,0

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the *PSSA* and other retirement acts and the *Employment Act (EI)*; Payment *Pension Adjustment Act*; Payments for the pay equity settlement pursuant to sec *Proceedings Act*).

	Fiscal year 2014-2015			Planned expenditure: for the year ending March 31, 20
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	
9 Acquisition of machinery and equipment	4,668,247	313,518	1,121,310	3,282,1
10 Transfer payments	500,001	105,000	456,184	500,0
12 Other subsidies and payments	91,796,016	45,058,820	52,333,510	7,261,6
Total gross budgetary expenditures	3,519,386,553	811,432,275	1,370,468,406	3,453,708,0
Less Revenues netted against expenditures:				
Vote Netted Revenues (VNR) - Centrally managed items	-459,001,612	-102,076,962	-169,908,056	-471,752,4
Vote Netted Revenues (VNR) - Program expenditures	-14,141,304	-1,272,494	-1,272,494	-13,238,6
Total Revenues netted against expenditures	-473,142,916	-103,349,456	-171,180,550	-484,991,1
Total net budgetary expenditures	3,046,243,637	708,082,819	1,199,287,857	2,968,716,9
Government-Wide Expenses included above *				
1 Personnel	3,159,863,009	693,919,098	1,185,192,175	3,162,413,8
2 Transportation and communications	0	2,578	3,155	

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the *PSSA* and other retirement acts and the *Employment Act (EI)*; *Payment Pension Adjustment Act*; Payments for the pay equity settlement pursuant to sec *Proceedings Act*).

	Fiscal year 2014-2015			Planned expenditure: for the year ending March 31, 20
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	
4 Professional and special services	0	9,700,105	15,891,031	
5 Rentals	0	236	1,233	
10 Transfer payments	500,000	55,000	406,184	500,0
12 Other subsidies and payments	1,640,811	-122,646	879,521	1,909,2
Total	3,162,003,820	703,554,371	1,202,373,300	3,164,823,0
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the <i>PSSA</i> and other retirement acts and the <i>Employment Act (EI)</i>; Payment <i>Pension Adjustment Act</i>; Payments for the pay equity settlement pursuant to sec <i>Proceedings Act</i>).</p>				

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

	Fiscal year 2014-2015			F
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *
Vote 1 - Program Expenditures	315,726,956	99,726,792	153,065,376	247,911,477
<p>* Includes only Authorities available for use and granted by Parliament at quarte</p>				

	Fiscal year 2014-2015			F
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *
Vote 20 - Public Service Insurance	2,260,002,208	557,857,708	1,121,494,290	2,250,070,604

Statutory Authorities

A111 - President of the Treasury Board - Salary and motor car allowance	80,300	20,075	40,150	82,100
A140 - Contributions to employee benefit plans	27,434,173	6,858,543	13,717,086	27,652,781
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the <i>Employment Act</i> (EI)	443,000,000	43,619,779	-89,045,419	443,000,000
A681 - Payments under the <i>Public Service Pension Adjustment Act</i>	0	0	6	0

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

	Fiscal year 2014-2015			F
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *
A683 - Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i>	0	-78	16,366	0
Total Statutory Authorities	470,514,473	50,498,319	-75,271,810	470,734,881
Total authorities	3,046,243,637	708,082,819	1,199,287,857	2,968,716,962

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

Date modified: 2017-01-05