



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended December 31, 2016

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended December 31, 2016

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 in the manner prescribed by the Treasury Board (TB). The quarterly report should be read

in conjunction with the Main Estimates and the Supplementary Estimates (A) and (B) as well as Budget Plan 2013, Budget Plan 2014, Budget Plan 2015, and Budget Plan 2016.

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 Treasury Board Secretariat's (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 2016-17 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 Raison d'être

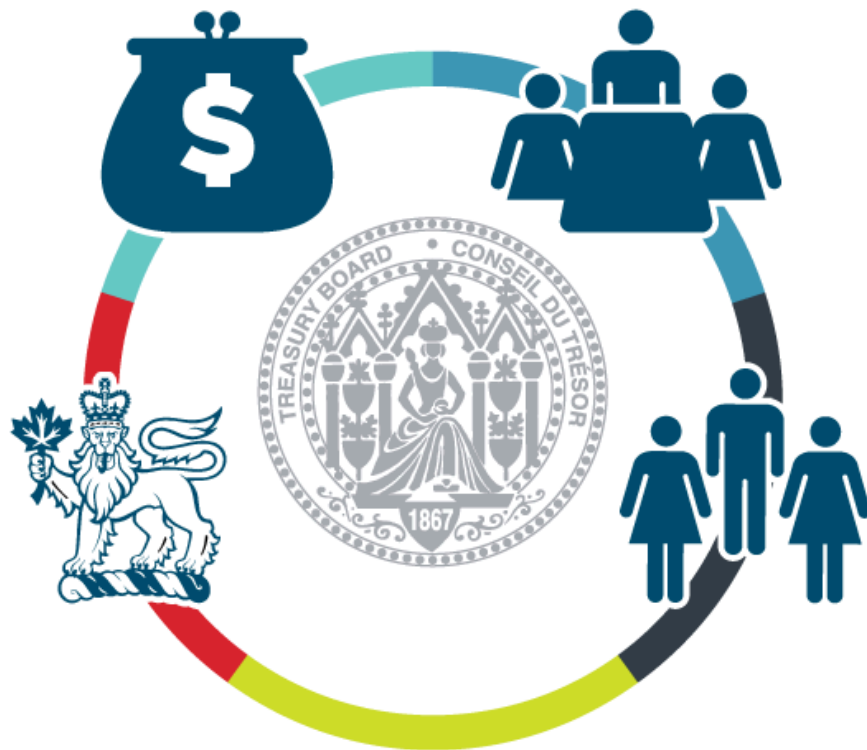
The Secretariat is the administrative arm of the TB, a committee of ministers. The Secretariat supports TB in undertaking the following principal roles:

Spending oversight

Review spending proposals and authorities; review existing and proposed government programs for efficiency, effectiveness and relevance; provide information to Parliament and Canadians on government spending.

Regulatory oversight

Develop and oversee policies to promote good regulatory practices; review proposed regulations to ensure that they adhere to the requirements of government policy; and advance regulatory cooperation across jurisdictions.



Administrative leadership

Lead government-wide initiatives; develop policies and set the strategic direction for government administration related to service delivery and access to government information, as well as the management of assets,

finances, information and technology.

Employer

Develop policies and set the strategic direction for people management in the public service; manage total compensation (including pensions and benefits) and labour relations; undertake initiatives to improve performance in support of recruitment and retention objectives.

1.3 The Secretariat's financial structure

The Secretariat manages both departmental and Treasury Board Central votes. Its departmental operating expenditures and revenues are managed under Vote 1, Program Expenditures.

The Secretariat manages seven different Central votes:

- Vote 5, **Government Contingencies** which serves to supplement other appropriations to provide government departments and agencies temporary advances for urgent or unforeseen departmental expenditures between Parliamentary supply periods;
- Vote 10, **Government-Wide Initiatives** which serves to supplement other appropriations to support the implementation of strategic management initiatives across the federal public service;
- Vote 15, **Compensation Adjustments** which serves to supplement other appropriations to provide funding for adjustments made to terms and conditions of service or employment of the federal public administration as a result of collective bargaining;
- Vote 20, **Public Service Insurance** which provides the employer's share of group benefit plan coverage costs as part of Treasury Board's role as the employer of the core public administration. This includes the Public Service Health Care Plan (PSHCP), Public Service Dental Care Plan (PSDCP), Pensioners' Dental Services Plan (PDSP), Disability Insurance, Provincial Payroll Taxes (Manitoba, Newfoundland, Ontario and

Québec), Public Service Management Insurance Plan (PSMIP) and other programs;

- Vote 25, **Operating Budget Carry Forward** which serves to supplement other appropriations for the carry forward of unused operating funds from the previous fiscal year, up to 5% of the gross operating budget contained in an organization's Main Estimates;
- Vote 30, **Paylist Requirements** which serves to supplement other appropriations to meet legal requirements for the government as employer for items such as parental benefits and severance payments; and
- Vote 33, **Capital Budget Carry Forward** which serves to supplement other appropriations for the carry forward of unused capital funds from the previous fiscal year, up to 20% of an organization's Capital vote.

The funding within these votes is approved by Parliament. With the exception of Vote 20, funding within Central votes is transferred from the Secretariat to individual departments and agencies, once specified criteria are met. Like any other department, the Secretariat also receives its own share of appropriations from these votes. Any unused balance from these votes is returned to the fiscal framework at the end of the year and is reported as the Secretariat lapse.

Expenditures incurred against Statutory Authorities mainly reflect the government's obligation to pay the employer's share of Public Service Pension Plans, Canada/Quebec Pension Plans, Employment Insurance premiums and Public Service Death Benefits. The Secretariat recovers from other government departments and agencies their share of the employer contributions under the Public Service Superannuation Act (PSSA), and is subsequently charged by Public Services and Procurement Canada (PSPC) for actual expenditures in the same Statutory Vote. Adjustments are made at year-end to individual departments' Statutory Votes (including that of the Secretariat) for the difference between periodic recoveries and actual expenditures.

This quarterly report will highlight the financial results of Vote 1 – Program Expenditures related to the delivery of the Secretariat's mandate, Vote 20 – Public Service Insurance related to TB's employer role, and Statutory Authorities related to the government's obligation to pay the employer's share of employee benefit plans (EBP).

2. Highlights of fiscal quarter and fiscal year-to-date

The following section highlights the financial results for the fiscal quarter ended December 31, 2016 and provides explanations of differences, exceeding a materiality threshold of \$1M for the Secretariat's Program Expenditures, \$1M for Statutory votes and \$10M for Vote 20 Public Service Insurance, as compared to the same period last year.

Highlights of fiscal quarter and fiscal year to date (thousands of dollars)

	2015-16 Budgetary Authorities to March 31, 2016	2016-17 Budgetary Authorities to March 31, 2017	Variance in budgetary authorities	Year-to-date expenditures as at Q3 2015-16	Year-to-date expenditures as at Q3 2016-17	Varia exper
Vote 1 - Program Expenditures	260,411	357,715	97,304	162,810	185,802	
Vote 20 - Public Service Insurance	2,250,071	2,383,671	133,600	1,686,604	1,643,562	
Statutory Authorities	470,735	369,124	-101,611	-290,341	-372,238	
Total	2,981,217	3,110,510	129,293	1,559,073	1,457,126	

Statement of voted and Statutory Authorities

Total budgetary authorities available for use increased in 2016-17 by \$129.3M (4.3%) from those in 2015-16. Below are explanations for the changes in program funding that caused an increase in Vote 1 authorities of \$97.3M, an increase in Vote 20 authorities of \$133.6M, and a decrease in authority to make statutory payments of \$101.6M.

Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
Vote 1 - Program Expenditures	

Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
New funding received from Budget 2016 to support the TBS-led Government-Wide Back Office Transformation Initiative as well as transfers-in from other government departments and agencies	102,241
Transfer-in of the Regulatory Cooperation Council, including budget, from the Privy Council Office effective April 1, 2016, to facilitate closer regulatory cooperation between Canada and the United States	2,155
New funding received to conduct a third-party resource alignment review of Shared Services Canada (SSC) that will look at SSC's 2016 IT Transformation Plan, its revised service strategy, and its relationships with partner organizations, and recommend ways to improve the delivery of modernized IT services for the Government of Canada	2,144
New funding received from Budget 2016 to expand open data initiatives	2,077
Transfer-in of funding from the Royal Canadian Mounted Police to TBS to implement the new labour relations regime	821
Other miscellaneous increases	385
Sunset of funding for the Workspace Renewal Initiative (Phase 1), specifically for the move to 90 Elgin St. which was completed August 2015	-5,963
Sunset of funding for an out-of-court settlement for claims against the Crown	-3,600
Sunset of funding from Budget 2013 for the Web Renewal Initiative to streamline the Government of Canada Web presence which includes the consolidation of web content to Canada.ca	-1,103
Deferral of project activity and funding for the Workplace Wellness & Productivity Strategy to modernize sick leave and disability management in the federal public service into future years	-932

Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
Sunset of funding for Canada's Cyber Security Strategy due to the completion of the establishment of a baseline enterprise security architecture	-921
Sub-total Vote 1	97,304
Vote 20 - Public Service Insurance	
Restores funding to 2008 levels for employer payments related to Public Service Insurance. Savings resulting from the Strategic Review have now been fully achieved. Implementing the Strategic Review allowed the Secretariat to streamline operations, realign programs to core public service activities, and increase efficiency and effectiveness of group insurance and benefits program spending. The addition of \$88.9 million in annual Vote 20 funding will partially address rising insurance and benefits costs, as the price and volume of benefits claimed continue to rise.	88,900
Funding to address the costs of the Government's share of the premium rate increase for the Service Income Security Insurance Plan	44,700
Sub-total Vote 20	133,600
Statutory	
A decrease to statutory authorities to reflect a reduction in the annual actuarial adjustment payment made under the Public Service Superannuation Act (PSSA) and other retirement Acts and the Employment Insurance Act	-103,000
An increase in the employer share of contributions to EBP related to new funding received in 2016-17	1,389
Sub-total Statutory Authorities	-101,611
Total Authorities	129,293

Statement of departmental budgetary expenditures by standard object

At the end of Q3, budgetary expenditures had decreased by \$101.9M (6.5%) as compared to the same period last year. The change in expenditures by standard object is summarized below:

Standard object	Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
Vote 1 - Program Expenditures		
1 Personnel	The increase is primarily due to salary spending on new staff hired to work on the TBS-led Government-Wide Back Office Transformation Initiative, the Regulatory Cooperation Council and the resource alignment review of SSC.	4,048
4 Professional services	The increase is primarily due to contracts for the TBS-led Government-Wide Back Office Transformation Initiative. With the second year of implementation underway, greater expenditures are being incurred compared to last year to acquire highly skilled professionals to work on the Financial Management Initiative.	14,456
9 Acquisition of Machinery and Equipment	The decrease is mainly due to one-time fit up costs that were incurred last year as part of Phase 1 of the Workspace Renewal Initiative.	-2,708
12 Other subsidies and payments	The increase is primarily due to a payment of \$4.5 M for an out-of-court settlement for claims against the Crown.	4,717
Other	Miscellaneous expenditures	2,479
Sub-total Vote 1		22,992
Vote 20 - Public Service Insurance		

Standard object	Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
1 Personnel	The increase was due to the higher volume of benefits claimed for PSHCP, PSDCP and PDSP as well as higher costs for dental services as prescribed by the dental fee guide, and the impact of pensioner population growth on both the PSHCP and PSDP. In addition, the Service Income Security Insurance Plan had a rate increase effective July 1, 2016 (the rate increase was 450% for the Reserve Force premium which is 100% employer paid and 20% for the Regular Force premium, which is 95.5% employer paid). These increases were offset by a reduction in the Disability Insurance Plan expenditures due to the timing of payments.	7,401
45/46 Vote-netted revenue	The negative amount identified for this standard object represents revenue for the Secretariat, which is primarily due to a gradual increase in Pensioner-to-Employer contribution rates for the PSHCP which aims to achieve a 50-50 cost-sharing ratio by April 1, 2018. The planned cost-sharing ratio is currently 37.5% for pensioners (up from 31.25% at April 1, 2015) and 62.5% for the employer (down from 68.75%) in this 2nd year of a four year gradual transition. The increase in pensioner contributions results in increased revenue for the employer.	-48,103
Other	Miscellaneous expenditures	-2,340
Sub-total Vote 20		-43,042
Statutory		

Standard object	Explanation of changes (2016-17 compared to 2015-16)	Change (thousands of dollars)
1 Personnel	PSPC charges TBS for statutory amounts for the employer share of contributions to the Public Service Pension Plan, the Canada/Québec Pension Plans, the Employment Insurance Plan and the Supplementary Death Benefit Plan. These combined amounts are known as Employee Benefit Plan (EBP) payments. The Secretariat recovers EBP from other government departments and agencies. The decrease in statutory expenditures at Q3 is mainly due to the timing of EBP payments to date, as recoveries are initially higher than payments made; however, the net effect on the financial statements of the Secretariat will be zero by year-end.	-81,897
Sub-total statutory items		-81,897
Total expenditures		-101,947

3. Risks and uncertainties

The Secretariat continued to operate in a dynamic environment, dominated by economic fluctuations, rapid technological change and a shifting demographic profile. Its risk landscape changed significantly as a result of the new mandate given to the President of the Treasury Board in 2016 which included multiple new mandate priorities that need to be delivered within a short timeframe. The following are the top operational risks and the associated response strategies.

Slow pace of implementation

Due to the number and complexity of priority initiatives, the Secretariat may not have the necessary capacity to deliver sustainable results in the expected timeframes.

To address this risk, from the outset the Secretariat adopted a results and delivery approach by articulating clear goals and performance indicators for each initiative that will be reported on a regular basis. This approach is

being led by a Chief Results and Delivery Officer and supported by a small Results and Delivery Unit. In the third quarter, the Secretariat established additional monitoring mechanisms and standardized monitoring strategies in order to improve oversight. It also enhanced capacity to provide strategic policy and advice to priority areas.

Moving forward, the Secretariat will continue to implement its data strategy to better measure performance on priority initiatives and take stock of progress regularly. Efforts will be placed on better managing interdependencies and cross-cutting issues through early detection and resolution of bottlenecks. It will also explore new ways to prioritize and to sequence priority initiatives on areas that have the greatest impact on the lives of Canadians.

Limited IT capacity

Many priority initiatives are IT dependent and there is always a risk that the current IT infrastructure and expertise may not evolve at the desired pace and subsequently not adequately support the Secretariat's objectives.

To date, to address this risk, the Secretariat has acquired new technology, taken steps to better use the current IT infrastructure and developed the internal expertise needed to support new platforms. To ensure that highly available, secure and fully managed network and systems are in place, the Secretariat is developing disaster recovery plans for "business critical" systems. Moving forward, the Secretariat will continue to strengthen its collaboration with Shared Services Canada, and improve recruitment, training, retention and succession planning for key positions and skillsets. It will also increase IT capacity through the use of alternate sources such as subscription services, software-as-a-service and infrastructure-as-a-service.

Insufficient capacity for delivery of government-wide projects

The Secretariat is playing an increasingly prominent role in government-wide initiatives and is leading a number of initiatives such as back office transformation, open government, development of a new service strategy and revitalization of access to information. Leading these initiatives is a challenge, particularly in an organization as large and complex as the federal government. As such there is a risk that the Secretariat may not have sufficient capacity to support government-wide projects.

In rising to this challenge, the Secretariat has so far focused on strengthening governance and on attracting, developing and retaining additional skills and talent. It has made some progress but targeted action is needed as part of an overall approach that places more emphasis on results and benefits and on phased development and implementation. Efforts now will therefore focus increasingly on course-correction and project gating, engaging with user communities, improving training strategies, and improving departmental readiness. The Secretariat will continue to support better coordination of government-wide initiatives and to strengthen the capacity for managing them.

Increasing costs of PSHCP

The cost of delivering the PSHCP is driven by many variables. As a result there could be significant shifts in spending in a given year due to: 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 in the rising cost to deliver Public Service Insurance Benefit Plans.

4. Significant changes in relation to operations, personnel and programs

This section highlights significant changes to Operations, Personnel and Programs which occurred in the Secretariat during the third quarter of the fiscal year.

Construction commenced on the Secretariat's new office space at 219 Laurier with the demolition of the floors to be occupied. The move to 219 Laurier is slated to begin in late 2017 or early 2018. Similar to the James Michael Flaherty Building, this new office space will feature the latest videoconferencing and collaboration technologies, Wi-Fi, meeting rooms and open collaboration areas where teams can meet, create and innovate in a modern, open work environment.

Effective October 31, the Office of Greening Government Operations was transferred from Public Services and Procurement Canada (PSPC) to the Secretariat. This office helps departments and agencies reduce their environmental footprint. The Secretariat will continue to work with PSPC as a key partner in greening, along with Natural Resources Canada, Environment,

Climate Change Canada, and other organizations. The budget and actual expenditures are not yet included in the Secretariat's financial records but these amounts will be transferred prior to the end of the fiscal year.

5. Approval by Senior Officials

Approved by,

Original signed by

Original signed by

Yaprak Baltacioğlu, Secretary

Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

Date: February 21, 2017

Appendix

For the quarter ended December 31 , 2016

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

	Fiscal year 2015-2016			Planned expenditures for the year ending March 31, 2016
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end	
Expenditures:				
1 Personnel	3,354,698,206	565,334,127	1,814,053,211	3,506,258,84
2 Transportation and communications	2,558,186	422,183	996,612	2,162,22
3 Information	594,588	53,453	154,430	419,95

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

	Fiscal year 2015-2016			Planned expenditures for the year ending March 31, 2016
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end	
4 Professional and special services	78,759,487	30,308,977	66,078,162	176,513,02
5 Rentals	4,309,325	483,803	1,469,043	2,975,87
6 Repair and maintenance	854,375	496,357	970,256	1,504,93
7 Utilities, materials and supplies	890,095	189,019	332,737	1,554,33
9 Acquisition of machinery and equipment	3,282,158	3,416,379	4,453,588	4,582,62
10 Transfer payments	500,000	101,403	539,194	1,063,38
12 Other subsidies and payments	19,761,676	840,673	1,357,230	11,248,74
Total gross budgetary expenditures	3,466,208,096	601,646,374	1,890,404,465	3,708,283,97
Less Revenues netted against expenditures:				
Vote Netted Revenues (VNR) - Centrally managed items	-471,752,479	-119,317,836	-325,501,546	-585,925,94
Vote Netted Revenues (VNR) - Program expenditures	-13,238,655	-3,657,856	-5,830,162	-11,848,56
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the PSSA and other retirement acts and the Employment Act (EI); Payme Pension Adjustment Act; Payments for the pay equity settlement pursuant to s Proceedings Act).</p>				

	Fiscal year 2015-2016			Planned expenditures for the year ending March 31, 2016
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end	
Total Revenues netted against expenditures	-484,991,134	-122,975,692	-331,331,708	-597,774,50
Total net budgetary expenditures	2,981,216,962	478,670,682	1,559,072,757	3,110,509,47
Government-Wide Expenses included above *				
1 Personnel	3,162,413,876	516,059,535	1,670,746,382	3,307,187,33
2 Transportation and communications	0	4,425	6,884	
3 Information	0	0	0	
4 Professional and special services	0	10,290,524	27,701,937	1,909,20
5 Rentals	0	2,507	4,257	
10 Transfer payments	500,000	1,405	409,194	500,00
12 Other subsidies and payments	1,909,207	499,994	2,141,000	
Total	3,164,823,083	526,858,389	1,701,009,655	3,309,596,54
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the PSSA and other retirement acts and the Employment Act (EI); Payme Pension Adjustment Act; Payments for the pay equity settlement pursuant to s Proceedings Act).</p>				

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

	Fiscal year 2015-2016			Fiscal year 2	
	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended December 31, 2015	Year to date used at quarter-end	Total available for use for the year ending March 31, 2017 *	Used during quarter ended Decem 31, 201
Vote 1 - Program Expenditures	260,411,477	64,218,473	162,809,879	357,714,993	75,48
Vote 20 - Public Service Insurance	2,250,070,604	566,076,043	1,686,603,708	2,383,670,604	545,86
Statutory Authorities					
A111 - President of the Treasury Board - Salary and motor car allowance	82,100	13,850	54,900	83,500	
A140 - Contributions to employee benefit plans	27,652,781	6,899,956	20,699,869	29,040,378	6,98
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	443,000,000	-158,538,132	-311,117,652	340,000,000	-125,84
<p>* Includes only Authorities available for use and granted by Parliament at quarte</p>					

	Fiscal year 2015-2016			Fiscal year 2	
	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended December 31, 2015	Year to date used at quarter-end	Total available for use for the year ending March 31, 2017 *	Used during quarter ended Decem 31, 201
A681 - Payments under the Public Service Pension Adjustment Act	0	206	598	0	
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	285	21,455	0	
Total Statutory Authorities	470,734,881	-151,623,834	-290,340,830	369,123,878	-118,85
Total authorities	2,981,216,962	478,670,682	1,559,072,757	3,110,509,475	502,49

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

Date modified: 2017-03-01