



Quarterly Financial Report

For the quarter ended
June 30, 2024

1. Introduction

This Quarterly Financial Report (QFR) should be read in conjunction with the [Main Estimates](#). It has been prepared by management as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. It has not been subject to an external audit or review.

1.1 Raison d'être

Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. As of November 4, 2015, PWGSC started operating as Public Services and Procurement Canada (PSPC). PSPC plays an important role in the daily operations of the Government of Canada. It supports federal departments and agencies in the achievement of their mandated objectives as their central purchasing agent, real property manager, linguistic authority, treasurer, accountant, pay and pension administrator, and common service provider. The Department's vision is to excel in government operations. Our mission is to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

Further details on the Department's authority, mandate and core responsibilities can be found in the [Main Estimates \(Part II\)](#) and the [Departmental Plan](#) for the fiscal year ending March 31, 2025.

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting and a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying [Table 1 - Statement of Authorities \(unaudited\)](#) includes the Department's spending authorities granted by Parliament, and those used by the Department and are consistent with the Main Estimates for the current fiscal year.

The authority of Parliament is required before money 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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

1.3 Public Services and Procurement Canada’s financial structure

PSPC provides services to many government departments, agencies and Crown corporations through a variety of funding mechanisms. This includes budgetary authorities that are comprised of voted and statutory authorities, as well as non-budgetary authorities. The voted budgetary authorities include operating expenditures, vote-netted revenues and capital expenditures, while the statutory authorities are mainly composed of revolving funds, employee benefit plans and payments in lieu of taxes (PILT). The non-budgetary authorities consist primarily of the Seized Property Working Capital Account (the description can be found in paragraph 1.3.4).

PSPC’s complex financial structure may result in significant fluctuations in authorities on a quarterly basis, which are due to timing differences that are resolved by year-end. These are summarized as follows:

1.3.1 Cost-recovery basis

For the most part, PSPC delivers its services on a cost-recovery basis, generating revenues via revolving fund (“the Funds”) organizations and programs within the operating vote. These organizations and programs are mainly designed to provide services to other government organizations and are expected to recover the cost of their operations through revenues. However, the costs incurred by the Funds are usually disbursed prior to invoicing the client, which generally occurs upon completion of a project or after services are rendered, and thus revenues may be collected in a subsequent quarter.

1.3.2 Project management

PSPC manages a variety of real property projects that progress through phases from planning to funding and from procurement to construction. Historical trends have shown that expenditures against these projects are not incurred evenly throughout the year; thus, quarter-to-quarter fluctuations are normal. Such projects include the Alaska Highway in British Columbia and Yukon, and the rehabilitation of the Parliamentary Precinct in Ottawa.

1.3.3 Payments in lieu of taxes

PILT issued by PSPC are funded through a statutory vote and paid on behalf of other participating federal departments. Payments are subsequently recovered from the participating departments and are recorded as statutory grants in the Public Accounts of Canada. Timing fluctuations can occur between the payments and the recoveries from the other departments.

1.3.4 Seized property account

PSPC also manages seized property for the Government of Canada pursuant to the *Seized Property Management Act*. The financial management of this activity is undertaken through the non-budgetary Seized Property Working Capital Account. Charged to this account are expenditures and advances made to maintain and manage any seized or restrained property. PSPC recovers its costs from this account once the property owner loses the right to the property and it is disposed of.

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

2.1 Significant changes to authorities

When compared to the same quarter of the previous year, **year-to-date PSPC authorities available for use decreased by \$19.1 million** (\$4,785.1 million at the first quarter of the fiscal year ending March 31, 2025 compared to \$4,804.2 million at the first quarter of the fiscal year ending March 31, 2024) as reflected in [Table 1 – Statement of authorities \(unaudited\)](#). The items responsible for the overall decrease are outlined in the table below, followed by a description for each variance:

Year-over-year variances in authorities available for use

(in millions of dollars)

Initiatives	Operating	Capital	Budgetary Statutory Authorities	Total Variance
Collective Agreements	96.4	-	16.4	112.8
Laboratories Canada	26.9	-	1.6	28.5
Price and Volume Protection	20.7	-	-	20.7
Electronic Procurement Solution	14.4	-	1.4	15.8
Card Acceptance and Postage	7.8	-	-	7.8
Employee Benefit Plan Adjustment	-	-	(55.3)	(55.3)
Refocusing Government Spending	(39.9)	(104.8)	(3.5)	(148.2)
Other	(1.6)	(20.0)	20.4	(1.2)
Cumulative variance in authorities available for use	124.7	(124.8)	(19.0)	(19.1)

*Groupings can change between quarters due to materiality of initiatives.
Amounts may not balance with other public documents due to rounding.*

Collective Agreements – increase of \$112.8 million

Funding received from the Treasury Board Central Vote for Collective Bargaining as a result of the various collective agreements that were renewed, signed, and implemented following the 2023 to 2024 Main Estimates.

Laboratories Canada – increase of \$28.5 million

The increase is due to Budget 2023 funding received to continue supporting the renewal of key science and technology infrastructure. The Laboratories Canada strategy (previously referred to as the Federal Science and Technology Infrastructure Initiative) was established in 2018 as a 25-year initiative to be delivered in phases, to renew federal laboratories and support a collaborative approach to conducting science and technology.

Price and Volume Protection – increase of \$20.7 million

The increase is a result of funding received for the protection from inflation and price variations relating to space requirements for real property elements over which PSPC has very little or no control such as rent, cost of utilities and accommodation costs.

Electronic Procurement Solution (EPS) – increase of \$15.8 million

The EPS cloud-based solution is an integral part of PSPC's modernization of acquisition services. The project delivery was completed and the EPS solution was transitioned to the in-service phase in July 2023. The new funding announced in Budget 2023 is for the steady-state operation of the EPS within PSPC, via an existing contract for contractor-managed cloud service delivery including infrastructure maintenance, software licenses and operations support.

Card Acceptance and Postage – increase of \$7.8 million

The increase is for debit and credit card acceptance fees incurred by federal departments and agencies as a result of the collection of revenues and also for postage fees for mailing cheques to Canadians.

Employee Benefit Plan (EBP) Adjustment – decrease of \$55.3 million

The decrease relates to the EBP rate adjustments as per the Treasury Board of Canada Secretariat (TBS) instructions which is applied on the year-over-year change in funding received.

Refocusing Government Spending – decrease of \$148.2 million

As announced in Budget 2023, the federal government proposed a reduction in organizations' spending on consulting, other professional services, and travel. PSPC is planning to reduce its spending by \$148.2 million in fiscal year 2024 to 2025, by \$154.1 million in 2025 to 2026 and by \$162.2 million in 2026 to 2027 and ongoing.

Other – decrease of \$1.2 million

The decrease is the result of funding variances in miscellaneous projects and activities.

2.2 Significant changes to year-to-date net expenditures

As presented in [Table 2 – Departmental budgetary expenditures by standard object \(unaudited\)](#), **year-to-date total net budgetary expenditures have increased by \$231.6 million** as compared to the same quarter of the previous year (\$1,616.4 million in the current fiscal year compared to \$1,384.8 million in the previous fiscal year).

Overall, total spending at the end of the first quarter represents 34% of annual planned expenditures for the current fiscal year compared to 29% for the first quarter of the previous year.

Year-over-year variances in net budgetary expenditures (presented by standard object) (in millions of dollars)

Standard Object	June 30, 2024 Year to date used at quarter end	June 30, 2023 Year to date used at quarter end	Year-over-year variance
Personnel	514.7	441.6	73.1
Transportation and communications	16.7	12.5	4.2
Information	2.9	2.3	0.6
Professional and special services	376.0	310.4	65.6
Rentals	339.4	322.5	16.9
Repair and maintenance	220.5	200.0	20.5
Utilities, materials and supplies	7.9	9.8	(1.9)
Acquisition of land, buildings and works	141.4	100.9	40.5
Acquisition of machinery and equipment	22.2	4.6	17.6
Transfer payments	427.5	375.6	51.9
Public debt charges	24.0	25.9	(1.9)
Other subsidies and payments	58.4	50.0	8.4
Revenues netted against expenditures	(535.2)	(471.3)	(63.9)
Total net budgetary expenditures	1,616.4	1,384.8	231.6

*Comparative figures have been reclassified to conform to the current year's presentation.
Amounts may not balance with other public documents due to rounding.*

The year-over-year **net increase of \$231.6 million** is mainly attributable to:

Personnel – increase of \$73.1 million

- The increase is mainly due to:
 - Increase in salaries as a result of the ratification of various collective agreements; and
 - Workforce dedicated to reducing the backlog of pay transactions and to stabilize pay operations as well as workforce required to meet business needs mainly in Real Property Services Revolving Fund activities.

Professional and special services – increase of \$65.6 million

- The increase is mainly due to:
 - Real Property Services Revolving Fund as a result of higher business volume related to other government departments, mostly in remediation projects such as Giant Mine as well as modernization of laboratory facilities such as the Sidney Centre for Plant Health;
 - Continue to implement the Long Term Vision and Plan (LTVP), a multi-decade strategy to restore and modernize Canada’s Parliamentary Precinct, such as the Centre Block building rehabilitation project as well as the construction of the new Parliament Welcome Centre; and
 - Major projects in the National Capital Region, such as the rehabilitation of Les Terrasses de la Chaudière and the West Memorial building as well as the replacement of Alexandra Bridge.
- The increase is partially offset by a decrease in information technology and telecommunications consultants due to the timing of transactions this year compared to previous year.

Rentals – increase of \$16.9 million

- The increase is mainly due to payments occurring earlier this year for software licenses.

Repair and maintenance – increase of \$20.5 million

- The increase is mainly due to:
 - Several projects across Canada performed via Real Property Services Revolving Fund such as the Historic Province House Restoration for Parks Canada in Atlantic region, repair of the parking lot for the Canadian Space Agency in Quebec region and maintenance of the Alaska Highway in Pacific region; and
 - More work done in several buildings mostly in the National Capital Region such as the Tunney’s Pasture site.
- The increase is partially offset by expenditures for Energy Services Acquisition Program (ESAP) being reclassified from “Repair and maintenance” to “Acquisition of land, buildings and works” in the fourth quarter of the previous year.

Acquisition of land, buildings and works – increase of \$40.5 million

- The increase is mainly due to:
 - Renewal projects at Place du Portage III in the National Capital Region;
 - New projects and heavy construction phases of existing projects in Atlantic region. Largest new projects include the replacement of the Movable Transfer Bridge at the Souris Ferry Terminal, Prince Edward Island and the Wharf Reconstruction at MacLeod Point’s (Ingonish) Small Craft Harbour, Victoria County, Nova Scotia;
 - Projects in Quebec region such as the construction of a new laboratory in the Motor Vehicle Test Centre to carry out tests on commercial vehicles for Transport Canada in Blainville as well as the installation and development of a telecommunications station for the Canadian Coast Guard on Anticosti Island; and
 - Expenditures for ESAP being reclassified from “Repair and maintenance” to “Acquisition of land, buildings and works” in the fourth quarter of the previous year noted above.

Acquisition of machinery and equipment – increase of \$17.6 million

- The increase is mainly due to acquisition of software, mostly related to the Contract Modernization Initiative (CMI), which was developed as part of the department's commitment to modernize procurement. The CMI simplifies the Government of Canada's contractual documents, changing both the structure and content for greater consistency and transparency.

Transfer payments – increase of \$51.9 million

- The increase is due to a timing difference between when a payment in lieu of taxes is issued to municipalities and when the cost is recovered from other government departments.

Other standard objects – increase of \$9.4 million

- The increase is mainly due to an increase in float interest rates as well as changes in expenditures related to day-to-day operations.

Revenues netted against expenditures – increase of \$63.9 million

- The increase is mainly due to:
 - Real Property Services Revolving Fund as a result of higher business volume related to other government departments, mostly in remediation projects such as Giant Mine, as well as other projects in different regions across Canada; and
 - Timing difference of billing for dedicated procurement services provided to other government departments occurring earlier this fiscal year compared to previous fiscal year.
- The increase is partially offset by a decrease due to timing difference in invoicing other government departments for digital services and in revenue collections of the Optional Services Revolving Fund.

3. Risks and uncertainties

PSPC integrates risk management principles into business planning, decision-making and organizational processes to minimize negative impacts and maximize opportunities across our diverse range of services and operations. Risk management at PSPC is carried out in accordance with the Treasury Board Secretariat's Framework for the Management of Risk, the Management Accountability Framework, and PSPC's Integrated Risk Management Framework.

The key risks identified as having a potential financial impact on PSPC's operations are:

3.1 Funding mechanism and coordination

PSPC may be unable to achieve its departmental investment objectives and targets, due to the variety of funding mechanisms employed by the department and the need to have better tools to effectively implement the OnePSPC concept, which may impede on-going relationships with clients and the efficiency and effectiveness of the department's programs and services. To mitigate this risk, PSPC is taking the following measures, among others:

- Improving PSPC's Investment Management Framework and associated governance, further refine an enterprise-wide prioritization model for all of PSPC's asset portfolios and align resources to priorities; and

- Implementing Project Costing Model Modernization initiative, with focus on 4 key deliverables: PSPC Integrated Project Costing Framework, Monte Carlo simulation model, costing guides and tools, and project gating amendments.

3.2 Supply and delivery risk

The effective and efficient delivery of major PSPC initiatives may be impeded due to the nature of large-scale and complex work (project scale, complexities, partner dependencies, evolving security requirements) along with current global events (inflation, supply delays and industry capacity limitations) which may affect the department's credibility with stakeholders. To mitigate this risk, PSPC is taking the following measures, among others:

- Developing a plan to accommodate forecasted growth and deliver based on allocated funds within the continual improvement framework; and
- Structuring, financing and accelerating the modernization of the office space to deliver on the GCworkplace vision.

3.3 Compromised assets

The integrity, safety and accessibility of PSPC real property and infrastructure assets could be compromised by climate change, natural disasters, infrastructure deterioration and original design insufficiencies, as well as human related actions, which may impede the continuity of government operations and the well-being of Canadians. To mitigate this risk, PSPC is taking the following measures, among others:

- Continue delivering various projects to preserve buildings, stop or reduce ongoing deterioration, respond to urgent building repair requirements, address health and safety issues, and reduce the cost and complexity of future work;
- Continue to implement adaptation measures based on the Parliamentary Precinct climate change vulnerability assessment; and
- Continue to adjust security measures in the Parliamentary Precinct to meet evolving threats such as: restricting vehicular access to certain areas, and protecting assets and occupants while encouraging public engagement and maintaining a functional space for those working there.

3.4 Effective delivery

PSPC may encounter delays to achieving full stabilization of pay administration for the Government of Canada because of the sustained increase in intake of HR transactions while facing capacity constraints. Persistent intake growth could further impede efforts to increase stakeholder trust and lessen liabilities to the Government of Canada. To mitigate this risk, PSPC is taking the following measures, among others:

- Addressing critical cases in the backlog and maintaining intake service standards while ensuring that efforts will also be placed on eliminating the remaining non critical backlog cases, as capacity allows;
- Implementing a hiring plan to maintain compensation capacity at the Pay Centre and continue expanding skillsets of existing workforce; and
- Providing reports on HR-to-Pay stabilization to assist with the identification of upstream issues that affect pay.

4. Significant changes to operations, personnel and programs

There were no significant changes to operations, personnel and programs during the first quarter of the current fiscal year.

Approved by:

The original version was signed by _____

Alex Benay for
Arianne Reza
Deputy Minister

The original version was signed by _____

Wojo Zielonka, CPA
Assistant Deputy Minister and
Chief Financial Officer

Gatineau, Canada
August 20, 2024

Gatineau, Canada
August 15, 2024

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2025			Fiscal year ending March 31, 2024		
	Total available for use for the year ending March 31, 2025 1) 2)	Used during the quarter ended June 30, 2024	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2024 1) 2)	Used during the quarter ended June 30, 2023	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,554,846	1,013,162	1,013,162	4,424,016	915,341	915,341
Vote-netted revenues	(1,405,199)	(257,838)	(257,838)	(1,399,079)	(263,860)	(263,860)
Net operating expenditures	3,149,647	755,324	755,324	3,024,937	651,481	651,481
Vote 5 - Capital expenditures	1,435,135	256,318	256,318	1,559,955	210,597	210,597
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,451,434	380,510	380,510	2,308,780	294,863	294,863
Revenues	(2,430,634)	(244,761)	(244,761)	(2,305,280)	(163,423)	(163,423)
Net expenditures	20,800	135,749	135,749	3,500	131,440	131,440
Translation Bureau Revolving Fund						
Gross expenditures	183,945	36,588	36,588	182,525	32,921	32,921
Revenues	(178,870)	(30,878)	(30,878)	(174,456)	(31,580)	(31,580)
Net expenditures	5,075	5,710	5,710	8,069	1,341	1,341
Optional Services Revolving Fund						
Gross expenditures	15,104	(5,989)	(5,989)	15,630	(5,871)	(5,871)
Revenues	(15,208)	(1,727)	(1,727)	(15,815)	(12,460)	(12,460)
Net expenditures	(104)	(7,716)	(7,716)	(185)	(18,331)	(18,331)
Total of all revolving funds						
Gross expenditures	2,650,483	411,109	411,109	2,506,935	321,913	321,913
Revenues	(2,624,712)	(277,366)	(277,366)	(2,495,551)	(207,463)	(207,463)
Total revolving fund net expenditures	25,771	133,743	133,743	11,384	114,450	114,450

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2025			Fiscal year ending March 31, 2024		
	Total available for use for the year ending March 31, 2025 1) 2)	Used during the quarter ended June 30, 2024	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2024 1) 2)	Used during the quarter ended June 30, 2023	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	173,581	43,395	43,395	207,435	32,601	32,601
Minister of Public Services and Procurement - Salary and motor car allowance	99	25	25	95	24	24
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	876	-	-	407	-	-
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	427,626	427,626	-	375,660	375,660
Total other budgetary statutory authorities	174,556	471,046	471,046	207,937	408,285	408,285
Total budgetary authorities	4,785,109	1,616,431	1,616,431	4,804,213	1,384,813	1,384,813
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	4,785,109	1,616,431	1,616,431	4,804,213	1,384,813	1,384,813

Net decrease of \$19.1 million

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Total available for use for the year", for both fiscal years ending March 31, 2025 and March 31, 2024, under "PILT", is presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.

Table 2 – DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

	Fiscal year ending March 31, 2025			Fiscal year ending March 31, 2024		
	Planned expenditures for the year ending March 31, 2025 1) 2)	Expended during the quarter ended June 30, 2024	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2024 1) 2)	Expended during the quarter ended June 30, 2023	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	2,033,292	514,714	514,714	1,927,739	441,567	441,567
Transportation and communications	69,009	16,691	16,691	65,658	12,536	12,536
Information	33,901	2,882	2,882	16,426	2,345	2,345
Professional and special services	2,110,043	375,954	375,954	2,388,978	310,466	310,466
Rentals	1,335,047	339,395	339,395	1,343,963	322,454	322,454
Repair and maintenance	1,495,814	220,531	220,531	1,187,226	200,015	200,015
Utilities, materials and supplies	174,851	7,874	7,874	149,609	9,777	9,777
Acquisition of land, buildings and works	888,071	141,423	141,423	951,464	100,854	100,854
Acquisition of machinery and equipment	138,497	22,193	22,193	152,314	4,587	4,587
Transfer payments ²⁾	-	427,543	427,543	-	375,660	375,660
Public debt charges	119,630	23,991	23,991	124,074	25,857	25,857
Other subsidies and payments	416,865	58,444	58,444	391,392	50,018	50,018
Total gross budgetary expenditures	8,815,020	2,151,635	2,151,635	8,698,843	1,856,136	1,856,136
Less revenues netted against expenditures						
Revolving funds revenues	(2,624,712)	(277,366)	(277,366)	(2,495,551)	(207,463)	(207,463)
Vote-netted revenues	(1,405,199)	(257,838)	(257,838)	(1,399,079)	(263,860)	(263,860)
Total revenues netted against expenditures	(4,029,911)	(535,204)	(535,204)	(3,894,630)	(471,323)	(471,323)
Total net budgetary expenditures	4,785,109	1,616,431	1,616,431	4,804,213	1,384,813	1,384,813

Net increase of \$231.6 million

Notes:

- 1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.
2) Consistent with the presentation in the Main Estimates, "Planned expenditures for the year" for both fiscal years ending March 31, 2025 and March 31, 2024, under "Transfer payments", are presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.