



Service | Innovation | Value

SHARED SERVICES CANADA

Future-oriented Statement of Operations

For the year ending March 31, 2014



Shared Services
Canada

Services partagés
Canada

Canada

Shared Services Canada

Statement of Management Responsibility

Departmental management is responsible for this future-oriented statement of operations, including responsibility for the appropriateness of the assumptions on which this statement is prepared. This statement is based on the best information available and assumptions adopted as at January 23, 2013 and reflect the plans described in the Report on Plans and Priorities (RPP).

At the time of preparation of this statement, management believes the estimates and assumptions to be fair and reasonable. However, as with all such estimates and assumptions, there is a measure of uncertainty. Actual results for the fiscal years covered in the accompanying future-oriented statement of operations will vary from the forecast information presented, and these variations may be material.

Original signed by Liseanne Forand

Liseanne Forand
President

Ottawa, Canada
March 5, 2013

Original signed by Gina Rallis

Gina Rallis
Senior Assistant Deputy Minister
And Chief Financial Officer
Corporate Services

Shared Services Canada
Future-oriented Statement of Operations (Unaudited)
For the year ending March 31
(in thousands of dollars)

| | Planned Results 2014 | Estimated Results 2013 |
|--|-------------------------------------|---------------------------------------|
| Expenses | | |
| Efficient and effective information technology infrastructure services are delivered across Government of Canada | 1,480,014 | 1,734,461 |
| Internal services | 207,553 | 237,691 |
| Total expenses | 1,687,567 | 1,972,152 |
| Revenues | | |
| Sale of goods and services | 317,117 | 368,200 |
| Miscellaneous revenues | 55 | 55 |
| Revenues earned on behalf of Government | (37) | (37) |
| Total revenues | 317,135 | 368,218 |
| Net cost of operations | 1,370,432 | 1,603,934 |

Information for the year ending March 31, 2013, includes actual amounts from April 1, 2012, to November 30, 2012.

Segmented information (Note 7)

The accompanying notes form an integral part of this future-oriented statement of operations.

Shared Services Canada
Notes to the Future-oriented Statement of Operations (*Unaudited*)
For the year ending March 31

1. Authority and Objectives

Shared Services Canada (SSC) is a federal department created on August 4, 2011, to fundamentally transform how the Government of Canada manages its information technology (IT) infrastructure. SSC reports to Parliament through the Minister of Public Works and Government Services and is responsible for delivering mandated email, data centre and network services to its 43 partner departments in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology-related services to government organizations on a cost-recovery basis. With a whole-of-government approach to IT, SSC is creating economies of scale to deliver more efficient, reliable and secure IT infrastructure services to Government of Canada departments. SSC's mandate was reinforced on June 29, 2012, with the passage of the *Shared Services Canada Act* by Parliament.

SSC's Program Alignment Architecture supports the achievement of the following strategic outcome: *Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.*

SSC's Program Alignment Architecture includes the following programs:

- **Efficient and effective information technology infrastructure services are delivered across Government of Canada:** Enterprise-wide consolidation in the areas of email, data centres and telecommunications improves the overall efficiency, reliability and security of IT infrastructure.
- **Internal services:** Internal services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization and not those provided to a specific program. These groups of activities include: management and oversight services; communications services; legal services; human resources management services; financial management services; information management services; information technology services; real property services; materiel services; acquisition services; and travel and other administrative services.

2. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of the Department as described in the RPP.

The information in the estimated results for fiscal year 2012-2013 is based on actual results as at November 30, 2012, and forecasts for the remainder of the fiscal year. Estimated year-end information for 2012-2013 is used as the opening position for the 2013-2014 planned results, and forecasts have been made for the planned results for the 2013-2014 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) SSC's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues are based on the current fiscal year, which is SSC's first year operating with its own financial authorities and its own financial system.

These assumptions were adopted as at January 23, 2013.

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3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2012-2013 and for 2013-2014, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, SSC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on current results and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect both the amount of revenue earned and the collectability of accounts receivable.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the RPP is presented, SSC will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates.

4. Summary of Significant Accounting Policies

The future-oriented statement of operations has been prepared in accordance with the Treasury Board accounting policies in effect for the 2012-2013 fiscal year. These accounting policies, stated below, are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Parliamentary authorities

SSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to SSC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the future-oriented statement of operations are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

b) Revenues

Revenues from the sale of goods and services are recognized in the accounts based on the goods and services provided in the year.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

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Revenues that are non-respendable are not available to discharge SSC's liabilities. While SSC is expected to maintain accounting control, the Department has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of SSC's gross revenues.

c) Expenses

Expenses are recorded on the accrual basis:

Services provided without charge by other government departments are recorded as operating expenses at their estimated cost.

d) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. SSC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

| Asset Class | Amortization Period |
|--------------------------------|--|
| Buildings | 25 years |
| Works and infrastructure | 40 years |
| Machinery and equipment | From 5 to 15 years |
| Computer hardware | From 3 to 5 years |
| Computer software | 3 years |
| Vehicles | From 6 to 8 years |
| Leasehold improvements | Lesser of the remaining term of the lease or useful life of the improvement |
| Leased tangible capital assets | According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease |

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

e) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are respectively included in the miscellaneous revenues and other operating expenses on the Future-oriented Statement of Operations.

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5. Parliamentary Authorities

SSC receives most of its funding through annual parliamentary authorities. Items recognized in the Future-oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to forecast authorities available

| | Planned Results 2014 | Estimated Results 2013 |
|--|-------------------------------------|---------------------------------------|
| | <i>(in thousands of dollars)</i> | |
| Net cost of operations | 1,370,432 | 1,603,934 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| Amortization of tangible capital assets | (120,649) | (122,773) |
| Services provided without charge by other government departments | (51,079) | (51,822) |
| Miscellaneous revenues | 18 | 18 |
| Total items affecting net cost of operations but not affecting authorities | (171,710) | (174,577) |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| Acquisitions of tangible capital assets | 178,694 | 96,772 |
| Decrease in lease obligations for tangible capital assets | 22,896 | 23,264 |
| Increase (decrease) in prepaid expenses | - | (26,543) |
| Total items not affecting net cost of operations but affecting authorities | 201,590 | 93,493 |
| Forecast authorities available | 1,400,312 | 1,522,850 |

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b) Forecast authorities requested and available

| | Planned Results 2014 | Estimated Results 2013 |
|---------------------------------------|-------------------------------------|---------------------------------------|
| | <i>(in thousands of dollars)</i> | |
| Authorities requested: | | |
| Vote 20 – Operating expenditures | 1,121,565 | 1,324,558 |
| Vote 25 – Capital expenditures | 178,694 | 96,772 |
| Statutory amounts | 100,053 | 101,520 |
| Forecast authorities available | 1,400,312 | 1,522,850 |

Forecast authorities requested for the year ending March 31, 2014, are the planned spending amounts presented in the 2013-2014 RPP. Estimated authorities requested for the year ending March 31, 2013, include amounts presented in the 2012-2013 Main Estimates and Supplementary Estimates (A) and (B), amounts planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

6. Related Party Transactions

SSC is related as a result of common ownership to all government departments, agencies, and Crown corporations. SSC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSC receives common services which are obtained without charge from other government departments as disclosed below.

a) Common services provided without charge by other government departments

During the year, SSC receives services without charge related to the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in SSC's Future-oriented Statement of Operations as follows:

| | Planned Results 2014 | Estimated Results 2013 |
|--|-------------------------------------|---------------------------------------|
| | <i>(in thousands of dollars)</i> | |
| Employer's contribution to the health and dental insurance plans | 51,079 | 51,822 |
| Total | 51,079 | 51,822 |

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included in SSC's Future-oriented Statement of Operations.

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b) Other transactions with related parties

The services for which SSC is charged by and charges to other government departments, agencies and Crown corporations are as follows:

| | Planned Results 2014 | Estimated Results 2013 |
|--|-------------------------------------|---------------------------------------|
| | <i>(in thousands of dollars)</i> | |
| Expenses – Other government departments, agencies and Crown corporations | 176,860 | 206,685 |
| Revenues – Other government departments, agencies and Crown corporations | 317,117 | 368,200 |

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7. Segmented Information

Presentation by segment is based on SSC's Program Alignment Architecture. The presentation by segment is based on the same accounting policies as described in Note 4 – Summary of Significant Accounting Policies. The following table presents the forecasted expenses to be incurred and the forecasted revenues to be generated for the programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

| <i>(in thousands of dollars)</i> | Efficient and effective information technology infrastructure services are delivered across Government of Canada | Internal Services | 2014 Total | 2013 Total |
|---|---|------------------------------|-------------------------|-------------------------|
| Operating expenses | | | | |
| Salaries and employee benefits | 593,039 | 131,804 | 724,843 | 734,959 |
| Transportation and telecommunications | 353,277 | 26,856 | 380,133 | 468,764 |
| Professional and special services | 206,184 | 16,867 | 223,051 | 452,316 |
| Repairs and maintenance | 124,175 | 8,113 | 132,288 | 98,787 |
| Amortization of tangible capital assets | 108,584 | 12,065 | 120,649 | 122,773 |
| Utilities, materials and supplies | 44,985 | 7,770 | 52,755 | 53,208 |
| Rentals | 45,601 | 3,737 | 49,338 | 7,452 |
| Information | 857 | 70 | 927 | 447 |
| Other operating expenses | 3,312 | 271 | 3,583 | 33,446 |
| Total operating expenses | <u>1,480,014</u> | <u>207,553</u> | <u>1,687,567</u> | <u>1,972,152</u> |
| Revenues | | | | |
| Sale of goods and services | 317,117 | - | 317,117 | 368,200 |
| Miscellaneous revenues | 17 | 38 | 55 | 55 |
| Revenues earned on behalf of Government | - | (37) | (37) | (37) |
| Total revenues | <u>317,134</u> | <u>1</u> | <u>317,135</u> | <u>368,218</u> |
| Net cost of operations | <u>1,162,880</u> | <u>207,552</u> | <u>1,370,432</u> | <u>1,603,934</u> |