



Public Services and
Procurement Canada


Services publics et
Approvisionnement Canada

Canada



Quarterly Financial Report

For the quarter ended
June 30, 2021



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, and its strategic outcome and mission are to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

A summary description of the Department's core responsibilities can be found in Part II of the [Main Estimates](#).

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 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 (see description below).

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:

- 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.
- 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.
- 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.
- 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.

1.4 COVID-19 pandemic

The COVID-19 pandemic represents a serious global health threat that has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. PSPC has been actively engaged in supporting the Government of Canada's pandemic response, through procurements in response to an unprecedented and urgent demand for personal protective equipment (PPE), COVID-19 testing kits and supplies, vaccines and vaccination supplies and other medical equipment such as ventilators and emergency mobile medical units and beds. PSPC also received funding to operationalize the Essential Services Contingency Reserve to support the provision of PPE for

essential services in Canada. COVID-19 will continue to have an impact on PSPC's financial situation for the foreseeable future as the Department continues to play a central role in response and recovery efforts. PSPC secured additional funding and the required authorities to support its increased activities and ensure financial sustainability for the Government of Canada's pandemic response.

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 increased by \$957.6 million** (\$4,203.9 million in Q1 of the fiscal year ending March 31, 2021 compared to \$5,161.5 million in Q1 of the fiscal year ending March 31, 2022) as reflected in [Table 1– Statement of authorities \(unaudited\) – For the quarter ended June 30, 2021 \(in thousands of dollars\)](#). Major reasons for the increase are outlined below:

Year-over-year variances in authorities available for use (in millions of dollars)

Initiatives	Operating	Capital	Budgetary Statutory Authorities	Total Variance
Interim Supply	193.0	396.8	-	589.8
Real Property Program Integrity	285.0	-	-	285.0
Supplies for the Health System (COVID-19)	650.9	-	(500.0)	150.9
Planning and Investment in PSPC's Assets Portfolio	(32.7)	45.8	-	13.1
Cape Breton Operations	(1.7)	-	(0.2)	(1.9)
Transfer	(7.5)	-	(1.4)	(8.9)
Revolving Funds	-	-	(22.0)	(22.0)
E-Procurement Solution	(45.3)	-	(0.4)	(45.7)
Other	1.3	-	(4.0)	(2.7)
Cumulative variance in authorities available for use	1,043.0	442.6	(528.0)	957.6

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

The **cumulative increase of \$957.6 million** from the first quarter of the fiscal year ending March 31, 2021 can be explained by:

Interim Supply – increase of \$589.8 million

The increase is due to the timing of receipt of authorities in 2020-21 as compared to 2021-22. In the fiscal year ending March 31, 2021, Parliamentary business was impacted as a result of the COVID-19 pandemic, which resulted in the postponement of the approval of Full Supply until December 2020. In the first quarter, PSPC received a total of eleven twelfths of the Main Estimates for the fiscal year

ending March 31, 2021 for Vote 1 – Operating expenditures and a total of nine twelfths for Vote 5 – Capital expenditures.

Real Property Program Integrity – increase of \$285.0 million

The increase is due to the timing of receipt of funding to support the operations, repairs and maintenance of the real property portfolio by addressing historical program pressures and deferred maintenance in PSPC's Crown assets, and ensuring the long term strategic management and operations of the real property portfolio.

Supplies for the Health System (COVID-19) – increase of \$150.9 million

The increase is to allow PSPC to meet expected needs related to the COVID-19 pandemic by continuing to support the Government of Canada's evolving pandemic response. The funding is sourced from unspent COVID-19 funding in Vote 1- Operating expenditures from the fiscal year ending March 31, 2021 carried into the fiscal year ending March 31, 2022.

Planning and Investment in PSPC's Assets Portfolio – increase of \$13.1 million

The increase reflects the Department's current funding approval to plan and deliver on its capital funding plan. This funding will ensure that PSPC maintains the quality of its infrastructure for the benefit of all Canadians.

Cape Breton Operations – decrease of \$1.9 million

The decrease is mainly due to a reduction in Workers' Compensation costs related to former Cape Breton Development Corporation employees.

Transfer – decrease of \$8.9 million

The decrease is due to the transfer of the Minister's Regional Office program from PSPC to the Privy Council Office.

Revolving Funds – decrease of \$22.0 million

The decrease is mainly due to a reduction in investment requirements for the Workplace Renewal Initiative (WRI) within the Real Property Services Revolving Fund as well as GClingua, which is a linguistic services request management platform within the Translation Bureau Revolving Fund.

E-Procurement Solution – decrease of \$45.7 million

The decrease is mainly due to reduced funding requirements given the current stage of the project, which is a cloud-based Electronic Procurement Solution within PSPC and an initiative from Budget 2018 to make purchasing simpler and easier to access.

Other – decrease of \$2.7 million

The decrease is the result of funding variances in miscellaneous projects and activities such as the Industrial Security Systems Transformation project.

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 decreased by \$364.1 million** as compared to the same quarter of the previous year (\$1,187.7 million in the current fiscal year compared to \$1,551.8 million in the previous fiscal year).

Overall, total spending at the end of the first quarter represents 23% of annual planned expenditures for the current fiscal year compared to 37% 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, 2021 Year-to-date used at quarter end	June 30, 2020 Year-to-date used at quarter end	Year-over-year variance
Personnel	432.3	381.6	50.7
Transportation and communications	15.7	77.1	(61.4)
Information	2.1	1.7	0.4
Professional and special services	286.1	208.8	77.3
Rentals	296.2	312.9	(16.7)
Repair and maintenance	174.0	162.8	11.2
Utilities, materials and supplies	42.5	179.1	(136.6)
Acquisition of land, buildings and works	95.6	78.6	17.0
Acquisition of machinery and equipment	13.3	14.0	(0.7)
Transfer payments	274.0	331.3	(57.3)
Public Debt charges	28.6	29.9	(1.3)
Other subsidies and payments	48.3	35.6	12.7
Revenues netted against expenditures	(521.0)	(261.6)	(259.4)
Total net budgetary expenditures	1,187.7	1,551.8	(364.1)

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 decrease of \$364.1 million** is mainly attributable to:

Personnel – increase of \$50.7 million

- The increase is due to:
 - Higher pay rates following the ratification of various collective agreements in the previous year and to an increase in the workforce across departmental programs to meet business demands; and

- An increase in cost at the beginning of the fiscal year for the Employee Benefit Plans.

Transportation and communications – decrease of \$61.4 million

- The decrease is mainly due to the costs of transportation and logistics services for COVID-19 procurements incurred during the fiscal year ending March 31, 2021 that have been subsequently recovered from the Public Health Agency of Canada.

Professional and special services – increase of \$77.3 million

- The increase is primarily due to:
 - Construction of the Biologics Manufacturing Centre (Royalmount Avenue site) in response to COVID-19;
 - Activities resuming after being impacted by the temporary stoppage in the first quarter of the previous year due to the COVID-19 pandemic;
 - Increase in private sector contracts for enhancements and solutions to support the stabilization of pay;
 - Services related to the start of the construction of the West Memorial Building Phase II; and
 - Projects for the new federal building in Shawinigan and for the Courts Administration Service Building in Montreal where construction started in later quarters of the previous fiscal year.

Utilities, materials and supplies – decrease of \$136.6 million

- The decrease is due to a significant reduction in COVID-19 procurement.

Acquisition of land, buildings and works – increase of \$17.0 million

- The increase is due to the timing difference in billings for construction projects at the Lester B. Pearson Building (Tower B) and at Place du Portage Phase III as well as the Arthur Meighen Building Rehabilitation project now being in the implementation phase.

Transfer payments – decrease of \$57.3 million

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

Other standard objects – increase of \$5.6 million

- The increase is attributable to minor changes in expenditures related to day-to-day operations.

Revenues netted against expenditures – increase of \$259.4 million

- The increase is due to:
 - Improved revenue collection occurring earlier in the fiscal year (no longer delayed by the COVID-19 pandemic) as well as agreements signed to increase the frequency of billings;
 - Revenue from services provided to Other Government Departments for digital support services occurring earlier in the current fiscal year compared to the previous one; and
 - Revenue from translation services returning to pre-pandemic business volumes.

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 Policy on Integrated Risk Management.

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

- PSPC's dependency on clients' expenditures: More than half of PSPC's financial and human resources are tied directly to cost-recovered services and activities. In a context of reduced expenditures on the part of client departments and agencies, there is a risk that PSPC could face unpredictable and reduced business volumes and associated reduced resources. In response to this risk, PSPC continually adjusts to fluctuations in operational demands while maintaining the quality of its services. This includes sustaining rigorous management of revenues, expenditures, forecasting and commitment monitoring, and working closely with other departments through the client service network to identify changing requirements and their impacts on the Department.
- PSPC's ability to undertake and deliver complex, transformational and interdepartmental major projects and procurements: There are inherent risks in PSPC undertaking and delivering complex, transformational and interdepartmental major projects and procurements on time, within the approved budget and according to scope, which could ultimately have an impact on the Department's service strategy. In order to address these risks, PSPC has implemented disciplined investment and project management processes; established service agreements and service standards with clear identification of responsibilities; ensured sound contract management; engaged early with client departments and other stakeholders; and developed the departmental Investment Plan (IP).
- In 2016, the Department implemented a new pay system as part of the Pay Transformation Initiative. The implementation was a major undertaking that experienced challenges. In collaboration with other departments, central agencies and union partners, the Department will continue to address the recommendations related to Phoenix from the 2017 Fall Report and 2018 Spring Report delivered by the Auditor General of Canada to Parliament. Given the complexity of existing pay rules, systems and processes, there is a risk that the ongoing stabilization of pay administration for the Government of Canada will be slowed down by internal system or human capacity issues, or by external challenges such as large-scale changes to labour management policies. This risk may impact the timeliness and accuracy of employee pay, the integrity of pension data, and the ability for the department to continue resolving existing pay errors.
- The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption globally resulting in an economic slowdown. While the pandemic has been ongoing for some time now, the duration and impact of the COVID-19 outbreak is still unknown at this time. As a result, it is not possible to reliably estimate the length and severity of the impact on PSPC's financial results in future periods.

4. Significant changes to operations, personnel and programs

There were no significant changes to operations, personnel and programs during the first quarter ended June 30, 2021.

Approved by:

Bill Matthews
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
August 27, 2021

Wojo Zielonka
Assistant Deputy Minister and
Chief Financial Officer
Public Services and Procurement Canada

Gatineau, Canada
August 27, 2021

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended June 30, 2021	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2021 1) 2)	Used during the quarter ended June 30, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,689,509	896,306	896,306	3,456,489	881,693	881,693
Vote-netted revenues	(1,320,046)	(281,396)	(281,396)	(1,129,959)	(101,042)	(101,042)
Net operating expenditures	3,369,463	614,910	614,910	2,326,530	780,651	780,651
Vote 5 - Capital expenditures	1,632,969	166,909	166,909	1,190,358	146,198	146,198
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,066,333	288,977	288,977	2,174,293	225,842	225,842
Revenues	(2,062,171)	(178,067)	(178,067)	(2,155,385)	(127,253)	(127,253)
Net expenditures	4,162	110,910	110,910	18,908	98,589	98,589
Translation Bureau Revolving Fund						
Gross expenditures	159,497	38,750	38,750	172,866	29,480	29,480
Revenues	(156,129)	(30,727)	(30,727)	(162,322)	(22,597)	(22,597)
Net expenditures	3,368	8,023	8,023	10,544	6,883	6,883
Optional Services Revolving Fund						
Gross expenditures	178,789	7,141	7,141	173,488	7,017	7,017
Revenues	(178,860)	(30,811)	(30,811)	(173,488)	(10,692)	(10,692)
Net expenditures	(71)	(23,670)	(23,670)	-	(3,675)	(3,675)
Total of all revolving funds						
Gross expenditures	2,404,619	334,868	334,868	2,520,647	262,339	262,339
Revenues	(2,397,160)	(239,605)	(239,605)	(2,491,195)	(160,542)	(160,542)
Total revolving fund net expenditures	7,459	95,263	95,263	29,452	101,797	101,797

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended June 30, 2021	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2021 1) 2)	Used during the quarter ended June 30, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	151,129	36,511	36,511	157,140	28,878	28,878
Minister of PSP salary and motor car allowance	91	23	23	89	22	22
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	419	-	-	402	-	-
Payments to provide supplies for the health system	-	-	-	500,000	162,878	162,878
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	274,036	274,036	-	331,326	331,326
Total other budgetary statutory authorities	151,639	310,570	310,570	657,631	523,104	523,104
Total budgetary authorities	5,161,530	1,187,652	1,187,652	4,203,971	1,551,750	1,551,750
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	5,161,530	1,187,652	1,187,652	4,203,971	1,551,750	1,551,750

Net increase of \$957.6 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, "Total available for use for the year", for both fiscal years ending March 31, 2022 and March 31, 2021, 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 BY BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2021		
	Planned expenditures for the year ending March 31, 2022 1) 2)	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2021 1) 2)	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,627,865	432,297	432,297	1,510,066	381,606	381,606
Transportation and communications	97,843	15,700	15,700	79,010	77,138	77,138
Information	20,543	2,059	2,059	14,865	1,627	1,627
Professional and special services	2,251,036	286,060	286,060	1,874,086	208,779	208,779
Rentals	1,282,961	296,241	296,241	990,693	312,889	312,889
Repair and maintenance	1,275,967	174,019	174,019	1,288,779	162,825	162,825
Utilities, materials and supplies	911,359	42,470	42,470	742,802	179,064	179,064
Acquisition of land, buildings and works	652,672	95,596	95,596	585,242	78,593	78,593
Acquisition of machinery and equipment	199,886	13,313	13,313	167,353	14,003	14,003
Transfer payments ²⁾	-	274,037	274,037	-	331,326	331,326
Public Debt charges	92,345	28,564	28,564	110,570	29,848	29,848
Other subsidies and payments	466,259	48,297	48,297	461,659	35,636	35,636
Total gross budgetary expenditures	8,878,736	1,708,653	1,708,653	7,825,125	1,813,334	1,813,334
Less revenues netted against expenditures						
Revolving funds revenues	(2,397,160)	(239,605)	(239,605)	(2,491,195)	(160,542)	(160,542)
Vote-netted revenues	(1,320,046)	(281,396)	(281,396)	(1,129,959)	(101,042)	(101,042)
Total revenues netted against expenditures	(3,717,206)	(521,001)	(521,001)	(3,621,154)	(261,584)	(261,584)
Total net budgetary expenditures	5,161,530	1,187,652	1,187,652	4,203,971	1,551,750	1,551,750

Net decrease of \$364.1 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, "Planned expenditures for the year" for both fiscal years ending March 31, 2022 and March 31, 2021, 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.