



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada



Quarterly Financial Report

For the quarter ended
September 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 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 \$967.8 million** (\$4,253.1 million in Q2 of the fiscal year ending March 31, 2021 compared to \$5,220.9 million in Q2 of the fiscal year ending March 31, 2022) as reflected in [Table 1– Statement of authorities \(unaudited\) – For the quarter ended September 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)	661.7	-	(500.0)	161.7
Planning and Investment in PSPC's Assets Portfolio	(42.0)	45.8	-	3.8
Revolving Funds	-	-	(22.0)	(22.0)
E-Procurement Solution	(49.3)	-	(0.4)	(49.7)
Other	4.8	-	(5.6)	(0.8)
Cumulative variance in authorities available for use	1,053.2	442.6	(528.0)	967.8

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 \$967.8 million** from the second 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 the fiscal year ending March 31, 2022 when compared to the previous fiscal year. 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. At the end of the second quarter, PSPC had 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-owned assets, and ensuring the long term strategic management and operations of the real property portfolio.

Supplies for the Health System (COVID-19) – increase of \$161.7 million

The funding 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 \$3.8 million

The net 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.

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 \$49.7 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 \$0.8 million

The decrease is the result of funding variances in miscellaneous projects and activities such as a reduction in Workers' Compensation costs related to former Cape Breton Development Corporation employees.

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 \$119.8 million** as compared to the same quarter of the previous year (\$2,047.6 million in the current fiscal year compared to \$2,167.4 million in the previous fiscal year).

Overall, total spending at the end of the second quarter represents 39% of annual planned expenditures for the current fiscal year compared to 51% for the second quarter of the previous year.

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

Standard Object	September 30, 2021 Year-to-date used at quarter end	September 30, 2020 Year-to-date used at quarter end	Year-over-year variance
Personnel	875.4	784.9	90.5
Transportation and communications	27.2	72.3	(45.1)
Information	3.5	4.2	(0.7)
Professional and special services	731.4	643.7	87.7
Rentals	611.6	590.3	21.3
Repair and maintenance	440.3	388.2	52.1
Utilities, materials and supplies	97.0	241.4	(144.4)
Acquisition of land, buildings and works	244.0	272.9	(28.9)
Acquisition of machinery and equipment	60.3	32.6	27.7
Transfer payments	88.5	130.6	(42.1)
Public Debt charges	56.9	58.7	(1.8)
Other subsidies and payments	200.2	164.4	35.8
Revenues netted against expenditures	(1,388.7)	(1,216.8)	(171.9)
Total net budgetary expenditures	2,047.6	2,167.4	(119.8)

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 \$119.8 million** is mainly attributable to:

Personnel – increase of \$90.5 million

- The increase is due to:
 - An increase in the workforce across departmental programs to meet business demands resulting in increased wages and employee benefit plan costs; and
 - Higher pay rates following the ratification of various collective agreements in the previous year.

Transportation and communications – decrease of \$45.1 million

- The decrease is mainly due to the cost 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 \$87.7 million

- The increase is primarily due to:
 - Construction of the Biologics Manufacturing Centre (Royalmount Avenue site) in response to COVID-19;
 - Environment and Climate Change Canada's Randle Reef contaminated sediment remediation project and Parks Canada Agency's Trent-Severn Waterway project, both in the implementation phase;
 - Consulting contracts for digital initiatives such as S/4 HANA financial management system transition and Enterprise Data Warehouse project;
 - Services related to Tunney's Pasture Phase I new office, West Memorial Building Phase II, L'Esplanade Laurier garage, and Alaska Highway projects;
 - Translation and interpretation contracts returning to pre-pandemic volumes; and
 - Various construction and retrofit projects.

Rentals – increase of \$21.3 million

- The increase is due to:
 - New leases being signed including leases to provide Public Health Agency of Canada with additional warehousing capacity for PPE as well as rent increases; and
 - A year-over-year timing difference between when the billing is issued and when the revenue is recovered from clients, specifically related to the recoveries of rent for accommodation services provided to departments such as Employment and Social Development Canada for the National Accommodation Program.

Repair and Maintenance – increase of \$52.1 million

- The increase is due to:
 - Projects occurring earlier in the current year whereas last fiscal year construction activities and projects were delayed due to COVID-19 pandemic restrictions;
 - Alaska Highway remediation project and Kiwi access road repair project in British Columbia;
 - Retrofit costs for Arthur Meighen Building; and
 - Timing difference of expenses that occurred in the second quarter which will be capitalized before year-end.
- The increase was partially offset by various projects being completed in the current quarter such as the Carling Campus.

Utilities, materials and supplies – decrease of \$144.4 million

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

Acquisition of land, buildings and works – decrease of \$28.9 million

- The decrease is due to:
 - Significant costs incurred in the previous year as projects progress in comparison with the current fiscal year such as construction and engineering works for the Trent-Severn Waterway project with Parks Canada Agency;
 - Acquisition of land in downtown Montreal in the previous fiscal year; and
 - Completion of major ongoing projects last fiscal year such as the Big Bar Landslide remediation program.

Acquisition of Machinery and Equipment – increase of \$27.7 million

- The increase is due to the acquisition of software licenses; and
- The increase is partially offset by the completion of projects such as the North Landing Wharf substation replacement at the Esquimalt Graving Dock.

Transfer payments – decrease of \$42.1 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 subsidies and payments – increase of \$35.8 million

- The increase is due to:
 - Payment in lieu of taxes invoiced earlier in the year compared to last fiscal year; and
 - Increase in fees related to point of sale transactions compared to last fiscal year as services are returning to pre-pandemic business volumes.

Other standard objects – decrease of \$2.5 million

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

Revenues netted against expenditures – increase of \$171.9 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;
 - Growth in revenues from construction projects with other government departments such as the Biologics Manufacturing Centre (Royalmount Avenue site) and the runway surfacing project in Kuujuaq airport;
 - Revenue from services provided to other government departments for digital support and software licenses occurring earlier in the current fiscal year;
 - Growth in revenues from translation services returning to pre-pandemic business volumes; and
 - Growth in revenues collected for vaccines distributed to provinces and territories.

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 and programs during the second quarter ended September 30, 2021.

On August 6, 2021, the Prime Minister announced the appointment of Arianne Reza as the new Associate Deputy Minister, effective August 16, 2021.

Approved by:

Bill Matthews
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
November 29, 2021

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

Gatineau, Canada
November 29, 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 September 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 September 30, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,748,885	1,101,112	1,997,418	3,505,614	951,251	1,832,944
Vote-netted revenues	(1,320,046)	(377,013)	(658,409)	(1,129,959)	(461,877)	(562,919)
Net operating expenditures	3,428,839	724,099	1,339,009	2,375,655	489,374	1,270,025
Vote 5 - Capital expenditures	1,632,969	290,315	457,224	1,190,358	258,147	404,345
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,066,333	417,016	705,993	2,174,293	440,944	666,786
Revenues	(2,062,171)	(431,891)	(609,958)	(2,155,385)	(441,398)	(568,651)
Net expenditures	4,162	(14,875)	96,035	18,908	(454)	98,135
Translation Bureau Revolving Fund						
Gross expenditures	159,497	42,577	81,327	172,866	39,361	68,841
Revenues	(156,129)	(38,639)	(69,366)	(162,322)	(33,591)	(56,188)
Net expenditures	3,368	3,938	11,961	10,544	5,770	12,653
Optional Services Revolving Fund						
Gross expenditures	178,789	25,615	32,756	173,488	21,180	28,197
Revenues	(178,860)	(20,153)	(50,964)	(173,488)	(18,337)	(29,029)
Net expenditures	(71)	5,462	(18,208)	-	2,843	(832)
Total of all revolving funds						
Gross expenditures	2,404,619	485,208	820,076	2,520,647	501,485	763,824
Revenues	(2,397,160)	(490,683)	(730,288)	(2,491,195)	(493,326)	(653,868)
Total revolving fund net expenditures	7,459	(5,475)	89,788	29,452	8,159	109,956

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 September 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 September 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	73,022	157,140	28,879	57,757
Minister of PSP salary and motor car allowance	91	22	45	89	23	45
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	477	10	10	452	282	282
Collection agency fees	-	-	-	-	-	-
Payments to provide supplies for the health system	-	-	-	500,000	31,311	194,189
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	(185,513)	88,523	-	(200,514)	130,812
Total other budgetary statutory authorities	151,697	(148,970)	161,600	657,681	(140,019)	383,085
Total budgetary authorities	5,220,964	859,969	2,047,621	4,253,146	615,661	2,167,411
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	5,220,964	859,969	2,047,621	4,253,146	615,661	2,167,411

Net increase of \$967.8 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 September 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 September 30, 2020	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,644,936	443,099	875,396	1,521,917	403,289	784,895
Transportation and communications	98,550	11,474	27,174	78,891	(4,887)	72,251
Information	20,706	1,437	3,496	14,980	2,588	4,215
Professional and special services	2,262,755	445,330	731,390	1,885,263	434,961	643,740
Rentals	1,292,256	315,348	611,589	998,550	277,379	590,268
Repair and maintenance	1,284,606	266,238	440,257	1,296,893	225,344	388,169
Utilities, materials and supplies	913,519	54,594	97,064	744,702	62,406	241,470
Acquisition of land, buildings and works	656,836	148,406	244,002	588,675	194,265	272,858
Acquisition of machinery and equipment	200,752	47,019	60,332	167,968	18,604	32,607
Transfer payments ²⁾	-	(185,514)	88,523	-	(200,723)	130,603
Public Debt charges	93,082	28,294	56,858	111,471	28,894	58,742
Other subsidies and payments	470,172	151,940	200,237	464,990	128,744	164,380
Total gross budgetary expenditures	8,938,170	1,727,665	3,436,318	7,874,300	1,570,864	3,384,198
Less revenues netted against expenditures						
Revolving funds revenues	(2,397,160)	(490,683)	(730,288)	(2,491,195)	(493,326)	(653,868)
Vote-netted revenues	(1,320,046)	(377,013)	(658,409)	(1,129,959)	(461,877)	(562,919)
Total revenues netted against expenditures	(3,717,206)	(867,696)	(1,388,697)	(3,621,154)	(955,203)	(1,216,787)
Total net budgetary expenditures	5,220,964	859,969	2,047,621	4,253,146	615,661	2,167,411

Net decrease of \$119.8 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.