

Shared Services Canada

Quarterly Financial Report

For the quarter ended September 30, 2023



Shared Services
Canada

Services partagés
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Canada

Powering world-class technology for Government

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1.0 Introduction

This quarterly financial report should be read in conjunction with the [2023-24 Main Estimates](#). This report has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the Treasury Board. It has not been subject to an external audit or review.

1.1 Authority, mandate and programs

Shared Services Canada (SSC) is responsible for digitally enabling government programs and services by providing information technology (IT) services in the domains of networks and network security, data centres and cloud offerings, digital communications and providing IT tools that the public service needs to do its job. As a service provider to over 40 government departments and agencies, SSC is focused on moving toward an IT service delivery model that encourages sharing common solutions and platforms across departments in an effort to reduce the variety of IT solutions across the government. In taking this enterprise approach, SSC is working to solidify network capacity and security, equip and empower employees to collaborate, and support partners in the design and delivery of their digital service offering to Canadians. The Minister of Public Services and Procurement Canada is the Minister responsible for SSC.

In carrying out its mandate, SSC is supporting [Canada's Digital Ambition 2022](#) and the [Government of Canada Cloud Adoption Strategy](#), as well as working in partnership with public and private sector stakeholders, implementing enterprise-wide approaches for managing IT infrastructure services, and employing effective and efficient business management processes.

The [Shared Services Canada Act](#) and related Orders-in-Council set out the powers, duties and functions of the Minister responsible for SSC. Amendments to the Act in June 2017 allow the Minister to delegate to other Ministers the power to procure certain items, thereby making it easier for federal departments to buy some of the most frequently purchased IT goods and services. SSC remains responsible for setting up IT contracts, standing offers and supply arrangements, and will continue to ensure only trusted IT equipment and software are used. The Minister responsible for SSC may also, in exceptional circumstances, authorize another Minister to obtain services from within their own department or from a source other than SSC. However, this authorization cannot be used to exempt the entire department from using SSC's services.

Further details on SSC's authority, mandate, responsibilities and programs may be found in the [2023-24 Main Estimates](#) and in [SSC's 2023-24 Departmental Plan](#).

1.2 Basis of presentation

This quarterly financial report has been prepared by management using an expenditure basis of accounting. The accompanying statement of authorities includes the department's spending authorities granted by Parliament, and those used by the department consistent with the [2023-24 Main Estimates](#) and the 2022-23 Carry Forward. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before 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. The main difference between the quarterly financial report and the departmental financial statements is the timing of when revenues and expenses are recognized. The quarterly financial report presents revenues only when the money is received and expenses only when the money

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is paid out. The departmental financial statements report revenues when they are earned and expenses when they are incurred. In the latter case, revenues are recorded even if cash has not been received and expenses are incurred even if cash has not yet been paid out.

1.3 Shared Services Canada financial structure

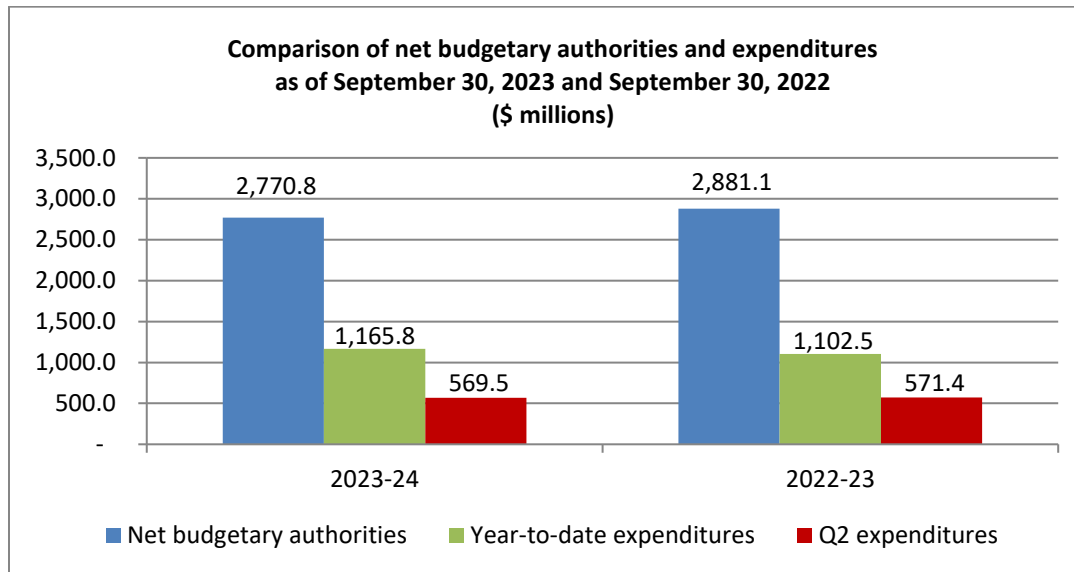
SSC has a financial structure composed mainly of voted budgetary authorities, namely Vote 1 - Operating expenditures, including Vote netted revenues, and Vote 5 - Capital expenditures, including Vote netted revenues. The statutory authorities consist of contributions to the Employee Benefit Plan (EBP).

At the end of the second quarter of 2023-24, 92% of the department’s budget was devoted to supporting its IT consolidation and standardization goals. This ensured that current and future IT infrastructure services offered to the Government of Canada are maintained in an environment of operational excellence. The remaining 8% was devoted to internal services, which are services in support of SSC’s programs and/or required to meet SSC’s corporate obligations.

Total Vote netted revenue authority for 2023-24 is \$853.0 million, which consists of responsible revenue for IT infrastructure services provided by SSC to organizations on a cost-recovery basis.

2.0 Highlights of fiscal quarter and fiscal year-to-date results

The following graph provides a comparison of the net budgetary authorities available for spending, the year-to-date expenditures, and the expenditures for the quarters ended September 30, 2023, and September 30, 2022, for the department’s combined Vote 1 - Operating expenditures, Vote 5 - Capital expenditures, and statutory authorities.



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2.1 Significant changes to authorities

For the period ended September 30, 2023, the authorities available to the department include the Main Estimates and the 2022-23 Carry Forward, as no items were submitted for the Supplementary Estimates (A). Authorities available for spending in 2023-24 are \$2,770.8 million at the end of the second quarter, compared to \$2,881.1 million at the end of the second quarter of 2022-23, representing a decrease of \$110.3 million, or 3.8%. This total decrease is a combination of an increase of \$8.0 million in Vote 1 – Gross operating expenditures, a decrease of \$132.0 million in Vote 5 – Gross capital expenditures, a decrease in Vote netted revenues of \$8.2 million, and an increase in Budgetary statutory authorities (EBP) of \$5.5 million.

Comparison of net budgetary authorities for the quarters ended September 30, 2023, and September 30, 2022

Net authorities available (\$ millions)	2023-24	2022-23	Variance
Vote 1 - Operating expenditures	3,133.2	3,125.2	8.0
Vote 5 - Capital expenditures	367.4	499.4	(132.0)
Statutory (EBP)	123.2	117.7	5.5
Total gross authorities	3,623.8	3,742.3	(118.5)
Vote netted revenues	(853.0)	(861.2)	8.2
Total net authorities	2,770.8	2,881.1	(110.3)

Vote 1 – Gross operating expenditures

The department's Vote 1 increased by \$8.0 million, compared to the second quarter of 2022-23, mainly due to:

- a net increase of \$116.8 million related to the following projects and initiatives:
 - Cyber and Information Technology Security (\$45.0 million)
 - Operating Budget Carry Forward (\$34.8 million)
 - Standardization of Mandatory Network, Security and Digital Services for Small Departments and Agencies (\$28.7 million)
 - Secure Cloud Enablement and Defence project (\$8.3 million)
- an increase of \$54.4 million due to a realignment of funding authority from Vote 5 to Vote 1 to support additional operating requirements related to service delivery
- an increase of \$1.8 million related to the increase in Vote netted revenues in 2023-24
- a net decrease of \$110.2 million related to the following projects and initiatives:
 - Next Generation Human Resources and Pay Solution (\$63.2 million)
 - Service Integrity Mission-Critical Projects (\$15.0 million)
 - incremental cost of providing core IT services to client departments and agencies (\$9.5 million)
 - the static military command and control systems (\$7.7 million)
 - Security Information and Event Management project (\$6.1 million)
 - other projects and initiatives (\$8.7 million)
- a decrease of \$44.0 million related to Budget 2021 initiatives:
 - Workload Modernization and Migration Program (\$31.9 million)
 - Secure Cloud Enablement and Defence Evolution and Departmental Connectivity (\$12.1 million)
- a decrease of \$10.8 million related to an internal vote realignment

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Vote 5 – Gross capital expenditures

The department's Vote 5 decreased by \$132.0 million, compared to the second quarter of 2022-23, mainly due to:

- a decrease of \$54.4 million due to a realignment of funding authority from Vote 5 to Vote 1 to support additional operating requirements related to service delivery
- a net decrease of \$46.1 million related to the following projects and initiatives:
 - Capital Budget Carry Forward (\$32.2 million)
 - High Performance Computing (\$13.9 million)
- a decrease of \$40.3 million related to Budget 2021 initiatives:
 - Secure Cloud Enablement and Defence Evolution and Departmental Connectivity (\$22.8 million)
 - Workload Modernization and Migration Program (\$17.5 million)
- a decrease of \$10.0 million related to the decrease in Vote netted revenues in 2023-24
- a net increase of \$18.8 million related to the following projects and initiatives:
 - Cyber and Information Technology Security (\$11.3 million)
 - Network Modernization and Implementation Fund (Budget 2021) (\$7.1 million)
 - other projects and initiatives (\$0.4 million)

Vote netted revenues

The department's Vote netted revenues (VNR) authority decreased by \$8.2 million compared to the second quarter of 2022-23. This is due to the increase in VNR authority in Q2 of 2022-23 of \$74.1 million, which increased the total authority to \$861.2 million. This increase was due to the continued demand from partner organizations for IT investments and the transformation of Canada's Digital Government Strategy.

Statutory (EBP)

The department's EBP authority increased by \$5.5 million, compared to the second quarter of 2022-23, mainly due to:

- an increase of \$10.8 million related to an internal vote realignment
- a decrease of \$5.3 million related to other projects and initiatives

2.2 Explanations of significant variances from previous year expenditures

Compared to the previous year, the total net year-to-date expenditures for the period ended September 30, 2023, have increased by \$63.3 million, from \$1,102.5 million to \$1,165.8 million as per the table below. This represents an increase of 5.7% against expenditures recorded for the same period in 2022-23.

Comparison of year-to-date expenditures for the quarters ended September 30, 2023, and September 30, 2022

Net year-to-date expenditures (\$ millions)	2023-24	2022-23	Variance
Vote 1 - Operating expenditures	1,316.7	1,200.0	116.7
Vote 5 - Capital expenditures	88.7	91.5	(2.8)
Statutory (EBP)	61.6	58.9	2.7
Total gross year-to-date expenditures	1,467.0	1,350.4	116.6
Vote netted revenues	(301.2)	(247.9)	(53.3)
Total net year-to-date expenditures	1,165.8	1,102.5	63.3

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Vote 1 - Increase of \$116.7 million

The net increase in operating expenditures, compared to the second quarter of 2022-23, is mainly attributed to:

- personnel expenditures increased by \$47.3 million. This is mainly due to an increase in the number of SSC employees in 2023-24.
- rentals expenditures increased by \$40.9 million. This increase is mainly attributable to expenditures for licence and maintenance fees for various software.
- repair and maintenance expenditures increased by \$39.6 million. This increase is mainly attributable to expenditures in repair and maintenance of communications and networking equipment as well as repair and maintenance of computer equipment.
- professional and special services increased by \$25.7 million. This increase is mainly attributable to expenditures for IT and telecommunications consultants and for management consulting.
- transportation and communications expenditures decreased by \$27.9 million. This decrease is mainly attributable to expenditures for voice and data communications services. This decrease is partially offset by an increase in expenditures related to communications and network services.
- a decrease of \$8.9 million in other various expenditures

Vote 5 - Decrease of \$2.8 million

The net decrease in capital expenditures, compared to the second quarter of 2022-23, is mainly attributed to:

- acquisitions of land, buildings and works decreased by \$12.9 million. This is mainly due to a payment to IBM Canada Ltd in 2022-23 for leasehold improvements to supercomputer facilities.
- repair and maintenance expenditures decreased by \$7.7 million. This decrease is mainly attributable to expenditures in repair and maintenance of office buildings.
- acquisitions of machinery and equipment increased by \$23.4 million. This increase is mainly attributable to expenditures related to the IT Refresh Program.
- a decrease of \$5.6 million in other various expenditures

Vote netted revenues - Increase of \$53.3 million

The increase in the collected Vote netted revenues, compared to the second quarter of 2022-23, is mainly due to the following factors:

- continued improvement of the system and billing process: the renewals of some agreements completed on time this fiscal year compared to last fiscal year, as well as improvement to demand management has resulted in an earlier collection of revenues in fiscal year 2023-24
- timing between periods: a large portion of projects were not completed last fiscal year and, as a result, were carried over and collected this fiscal year
- an increase in demand for some IT services from partners, particularly for the following services: networks, midrange and middleware

3.0 Risks and uncertainty

As SSC continues to support the public service through the provision and delivery of enterprise tools and network infrastructure—critical to the facilitation of government programs and services—particular risk exposures and emerging trends stand to impact the achievement of IT service outcomes.

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The transition to a hybrid approach of in-office and remote telework arrangements will likely contribute to unique internal risks related to:

- a) the strategic management and achievement of transformative enterprise IT projects, initiatives and programs in the face of siloed business processes, which may result in reputational damage
- b) increasingly sophisticated cyber security attacks aimed at vulnerabilities in the defence posture correlated with a shared Government of Canada reliance on digital services and remote tools
- c) having the adequate skill set and capacity to meet the ongoing need for continuous learning and upskilling in order to meet the expectations of digital service delivery and transformation

External factors will also play a pivotal role in the risk landscape at SSC. Namely, intermediate supply chain disruptions (for example, delays, price shocks) will remain a concern against the cost-effective procurement and timely delivery of devices and tools to partner departments.

Furthermore, shifting conditions in the global socio-economic and political sphere could also feasibly manifest in unprecedented risk drivers that impact the department's priorities and outcomes. To add to this, technological trends—for example, advancements in the broad access to sophisticated artificial intelligence (AI) tools—may also contribute to both positive and negative industry shocks (for example, increased productivity, AI-driven cyber threats).

Additional information on key risks can be found in [SSC's 2023-24 Departmental Plan](#).

4.0 Significant changes in relation to operations, personnel and programs

On July 26, 2023, Jean-Yves Duclos was appointed by the Prime Minister as the new Minister of Public Services and Procurement and the Minister responsible for Shared Services Canada.

On September 11, 2023, Scott Jones was appointed by the Prime Minister as the new President of Shared Services Canada.

Approval by senior officials

Original signed by

Scott Jones
President

Ottawa, Canada
November 27, 2023

Original signed by

Scott Davis, CPA
Assistant Deputy Minister and
Chief Financial Officer

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5.0 Statement of authorities (*unaudited*)

<i>(in thousands of dollars)</i>	Fiscal year 2023-24			Fiscal year 2022-23		
	Total available for use for the year ending March 31, 2024*	Used during the quarter ended September 30, 2023	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2022	Year-to-date used at quarter-end
Vote 1 - Operating expenditures						
Gross operating expenditures	3,133,243	664,625	1,316,705	3,125,188	624,615	1,199,970
Vote netted revenues	(793,000)	(184,070)	(301,182)	(791,215)	(138,225)	(247,882)
Net operating expenditures	2,340,243	480,555	1,015,523	2,333,973	486,390	952,088
Vote 5 - Capital expenditures						
Gross capital expenditures	367,367	58,117	88,685	499,371	55,621	91,545
Vote netted revenues	(60,000)	-	-	(70,000)	-	-
Net capital expenditures	307,367	58,117	88,685	429,371	55,621	91,545
(S) Contributions to employee benefit plan	123,180	30,795	61,590	117,709	29,428	58,855
Total budgetary authorities	2,770,790	569,467	1,165,798	2,881,053	571,439	1,102,488

* Includes only authorities available for use and granted by Parliament at quarter-end.

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6.0 Departmental budgetary expenditures by standard object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023-24			Fiscal year 2022-23		
	Planned expenditures for the year ending March 31, 2024*	Expended during the quarter ended September 30, 2023	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2023*	Expended during the quarter ended September 30, 2022	Year-to-date used at quarter-end
Expenditures:						
Personnel (includes EBP)	944,008	257,516	503,751	914,088	230,441	454,870
Transportation and communications	726,777	123,234	198,710	832,991	150,762	228,027
Information	4,171	156	208	3,991	199	390
Professional and special services	586,788	113,602	177,520	477,393	99,446	154,629
Rentals	617,942	112,419	335,731	622,877	101,489	295,037
Repair and maintenance	276,568	75,981	139,729	266,923	62,177	107,832
Utilities, materials and supplies	7,035	1,564	2,015	9,842	1,393	2,003
Acquisition of land, buildings and works	5,558	1,296	1,946	11,705	14,277	14,886
Acquisition of machinery and equipment	449,106	66,228	104,134	594,185	41,632	84,874
Transfer payments	-	-	-	-	-	-
Public debt charges	5,837	1,981	3,670	8,177	2,447	4,251
Other subsidies and payments	-	(440)	(434)	96	5,401	3,571
Total gross budgetary expenditures	3,623,790	753,537	1,466,980	3,742,268	709,664	1,350,370
Less revenues netted against expenditures:						
Vote netted revenues	853,000	184,070	301,182	861,215	138,225	247,882
Total revenues netted against expenditures	853,000	184,070	301,182	861,215	138,225	247,882
Total net budgetary expenditures	2,770,790	569,467	1,165,798	2,881,053	571,439	1,102,488

* Includes only authorities available for use and granted by Parliament at quarter-end, which are distributed based on historical financial data.

7.0 Glossary

Appropriations/Authorities

Expenditure authorities are approvals from Parliament for individual government organizations to spend up to specific amounts. Expenditure authority is provided in two ways: annual appropriation acts that specify the amounts and broad purposes for which funds can be spent; and other specific statutes that authorize payments and set out the amounts and time periods for those payments. The amounts approved in appropriation acts are referred to as voted amounts, and the expenditure authorities provided through other statutes are called statutory authorities.

Vote 1 - Operating expenditures

A vote that covers most day-to-day expenses, such as salaries, utilities and minor capital expenditures.

Vote 5 - Capital expenditures

Capital expenditures are those made for the acquisition or development of items that are classified as tangible capital assets as defined by government accounting policies. This vote is generally used for capital expenditures that exceed \$10,000.

Capital Budget Carry Forward

Treasury Board centrally managed vote that permits departments to bring forward eligible lapsing funds from one fiscal year to the next in an amount up to 20% of their year-end allotments in the capital expenditures Vote as reflected in Public Accounts.

Cash method of accounting

The cash method recognizes revenues when they are received and expenses when they are paid for.

Collective agreement

A collective agreement means an agreement in writing entered into under the *Public Service Staff Relations Act* between the employer and a bargaining agent and containing provisions covering terms and conditions of employment and related matters.

Departmental Plan

The Departmental Plan is an expenditure plan for each department and agency (excluding Crown corporations). It describes departmental priorities, expected results and associated resource requirements covering a three-year period, beginning with the year indicated in the title of the report.

Employee Benefit Plan (EBP)

A statutory item that includes employer contributions for the Public Service Superannuation Plan, the Canada and the Quebec Pension Plans, Death Benefits, and the Employment Insurance accounts. Expressed as a percentage of salary, the EBP rate is changed every year as directed by the Treasury Board Secretariat.

Expenditure basis of accounting

An accounting method that combines elements of the two major accounting methods: the cash method and the accrual method. The expenditure basis of accounting method recognizes revenues when cash is received and expenses when liabilities are incurred or cash is paid out.

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Frozen allotments

Frozen allotments are used to prohibit the spending of funds previously appropriated by Parliament. There are two types of frozen allotments:

- permanent: where the Treasury Board has directed that funds lapse at the end of the fiscal year
- temporary: where an appropriation is frozen until such time as conditions have been met

Full accrual method of accounting

An accounting method that measures the performance and position of an organization by recognizing economic events regardless of when cash transactions occur. Therefore, the full accrual method of accounting recognizes revenues when they are earned (for example, when the terms of a contract are fulfilled) and expenses when they are incurred.

Main Estimates

Each year, the government prepares estimates in support of its request to Parliament for authority to spend public funds. This request is formalized through the introduction of appropriation bills in Parliament. In support of the Appropriation Act, the Main Estimates identify the spending authorities (Votes) and amounts to be included in subsequent appropriation bills. Parliament is asked to approve these Votes to enable the government to proceed with its spending plans.

Operating Budget Carry Forward

Treasury Board centrally managed vote that permits departments to bring forward eligible lapsing funds from one fiscal year to the next in an amount up to 5% of their Main Estimates gross operating budget allotment.

Standard objects

A system in accounting that classifies and summarizes expenditures by category, such as type of goods or services acquired, for monitoring and reporting.

Supplementary Estimates

The President of the Treasury Board tables up to three Supplementary Estimates, usually in May, in late October or early November and in February, to obtain the authority of Parliament to adjust the government's expenditure plan set out in the estimates for that fiscal year. Supplementary Estimates serve two purposes. First, they seek authority for revised spending levels that Parliament will be asked to approve in an Appropriation Act. Second, they provide Parliament with information on changes in the estimated expenditures to be made under the authority of statutes previously passed by Parliament. Each Supplementary Estimates document is identified alphabetically (A, B and C).

Vote netted revenues authority

The authority by which Shared Services Canada has permission to collect and spend revenue earned and collected from the provision of IT services within the government.