



Shared Services Canada Quarterly Financial Report

For the quarter ended June 30, 2021



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1.0 Introduction

This quarterly financial report should be read in conjunction with the [2021-22 Main Estimates](#) and the [2021-22 Supplementary Estimates \(A\)](#). 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 centers 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 focussed 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 Digital Government is responsible for SSC.

In carrying out its mandate, SSC is supporting the [Digital Operations Strategic Plan: 2018-2022](#) 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.

In 2019, the Minister of Digital Government became the Minister responsible for SSC as per Order-in-Council 2019-1366. The creation of the first stand-alone Minister of Digital Government underscores the importance of digital technology transforming society, and it centralizes decision-making with respect to GC-wide digital government policy and operations.

Further details on SSC's authority, mandate, responsibilities and programs may be found in the [2021-22 Main Estimates](#) and in [SSC's 2021-22 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 [2021-22 Main Estimates](#) and the [2020-21 Supplementary Estimates \(A\)](#). 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

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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 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

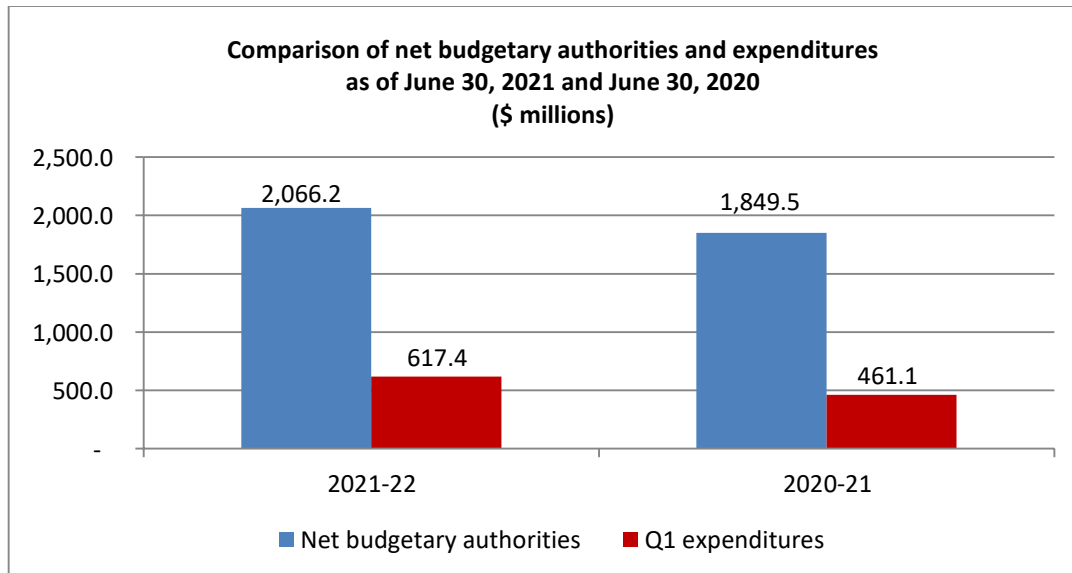
SSC has a financial structure composed mainly of voted budgetary authorities, namely Vote 1 - Operating expenditures, including Vote netted revenues, and Vote 5 - Capital expenditures, including Vote netted revenues. The statutory authorities comprise the contributions to employee benefit plans (EBP). The contributions to EBP consist of the contributions for SSC's employees including the members of Royal Canadian Mounted Police.

At the end of the first quarter of 2021-22, 91% of the Department's budget was devoted to support 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 9% 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 2021-22 is \$665.0 million, which consists of spendable 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 and the expenditures for the quarters ended June 30, 2021 and June 30, 2020, 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 June 30, 2021, the authorities available to the Department include the Main Estimates and the Supplementary Estimates (A). Authorities available for spending in 2021-22 are \$2,066.2 million at the end of the first quarter, compared to \$1,849.5 million at the end of the first quarter of 2020-21, representing an increase of \$216.7 million, or 11.7%. This total increase is a combination of an increase of \$155.3 million in Vote 1 – Gross operating expenditures, an increase of \$59.8 million in Vote 5 – Gross capital expenditures, and an increase in Budgetary statutory authorities of \$1.6 million.

Comparison of net budgetary authorities for the quarters ended June 30, 2021 and June 30, 2020

Net authorities available (\$ millions)	2021-22	2020-21	Variance
Vote 1 - Operating expenditures	2,289.3	2,134.0	155.3
Vote 5 - Capital expenditures	346.1	286.3	59.8
Vote netted revenues	(665.0)	(665.0)	-
Statutory (EBP)	95.8	94.2	1.6
Total net authorities	2,066.2	1,849.5	216.7

Vote 1 – Gross operating expenditures

The Department's Vote 1 increased by \$155.3 million, compared to the first quarter of 2020-21, mainly due to:

- an increase of \$165.6 million related to the following projects and initiatives:
 - incremental cost of providing core information technology services to client departments and agencies (\$46.8 million)
 - Information Technology Repair and Replacement Program (\$43.0 million)
 - Information Technology Modernization Initiatives (Departmental Integrated Investment Plan) (\$37.3 million)
 - Cyber and Information Technology Security (\$22.1 million)
 - Information Technology Services, Infrastructure and Cyber Security (COVID-19) (\$6.7 million)
 - Expand Secure Communications for Senior Leadership (\$6.0 million)
 - other projects and initiatives (\$3.7 million)
- an increase of \$139.6 million in the authorities available for use due to the reduced supply of the 2020-21 Main Estimates during the first quarter of 2020-21
- a net increase of \$6.5 million in transfers with partners related to funding for various projects and initiatives
- an increase of \$5.1 million due to newly signed collective agreements
- a decrease of \$161.5 million related to the following projects and initiatives:
 - Workload Migration (\$102.6 million) which includes:
 - Workload Migration and Cloud Architecture Programs (\$85.5 million)
 - Workload Migration, Cloud Architecture, Secure Cloud Enablement (\$17.1 million)
 - Service Integrity Mission-Critical Projects (\$47.2 million)
 - other projects and initiatives (\$11.7 million)

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Vote 5 – Gross capital expenditures

The Department’s Vote 5 increased by \$59.8 million, compared to the first quarter of 2020-21, mainly due to:

- an increase of \$71.6 million in the authorities available for use due to the reduced supply of the 2020-21 Main Estimates during the first quarter of 2020-21
- an increase of \$56.5 million related to the following projects and initiatives:
 - Information Technology Repair and Replacement Program (\$34.7 million)
 - Cyber and Information Technology Security (\$14.6 million)
 - incremental cost of providing core information technology services to client departments and agencies (\$3.0 million)
 - other projects and initiatives (\$4.2 million)
- a decrease of \$68.3 million related to the following projects and initiatives:
 - Workload Migration (\$67.4 million) which includes:
 - Workload Migration and Cloud Architecture Programs (\$65.7 million)
 - Workload Migration, Cloud Architecture, Secure Cloud Enablement (\$1.7 million)
 - other projects and initiatives (\$0.9 million)

Statutory (EBP)

The Department’s Employee Benefits Plan (EBP) authority increased by \$1.6 million, compared to the first quarter of 2020-21, mainly due to:

- an increase of \$0.8 million for the Information Technology Repair and Replacement Program
- an increase of \$0.5 million to Expand Secure Communications for Senior Leadership
- an increase of \$0.3 million for Cyber and Information Technology Security

2.2 Explanations of significant variances from previous year expenditures

Compared to the previous year, the total year-to-date expenditures, for the period ended June 30 2021, have increased by \$156.3 million, from \$461.1 million to \$617.4 million as per the table below. This represents an increase of 33.9% against expenditures recorded for the same period in 2020-21.

Comparison of year-to-date expenditures for the quarters ended June 30, 2021 and June 30, 2020

Net year-to-date expenditures (\$ millions)	2021-22	2020-21	Variance
Vote 1 - Operating expenditures	586.3	501.1	85.2
Vote 5 - Capital expenditures	21.0	43.4	(22.4)
Vote netted revenues	(13.6)	(106.9)	93.3
Statutory (EBP)	23.7	23.5	0.2
Total net year-to-date expenditures	617.4	461.1	156.3

Vote 1 - Increase of \$85.2 million

The net increase in operating expenditures, compared to the first quarter of 2020-21, is mainly attributed to:

- personnel expenditures increased by \$60.7 million. This is mainly due to an increase in the number of SSC employees in 2021-22 and to a large temporary increase in the payments of retroactive pay which will be reduced in the following quarter
- rentals expenditures increased by \$14.0 million. This increase is mainly attributable to expenditures related to the Microsoft Enterprise Agreement

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- professional and special services increased by \$6.5 million. This increase is mainly attributable to expenditures related to management consultants and information technology and telecommunications consultants. This increase is partially offset by a decrease in expenditures related to Mission-Critical Projects
- increase of \$4.0 million in other various expenditures

Vote 5 - Decrease of \$22.4 million

The net decrease in capital expenditures, compared to the first quarter of 2020-21, is mainly attributed to:

- professional and special services decreased by \$13.3 million. This decrease is mainly due to new contracts in the previous fiscal year for the Information Technology Service Management Tool Project
- acquisitions of machinery and equipment decreased by \$9.5 million. This is mainly due to a decrease in expenditures for the acquisition of computer equipment
- increase of \$0.4 million in other various expenditures

Vote netted revenues - Decrease of \$93.3 million

The decrease in the collected Vote netted revenues, compared to the first quarter of 2020-21, is mainly due to the fact that the Department is currently in the process of transitioning to a new platform to process invoices, which has delayed billing.

3.0 Risks and uncertainty

SSC's mandate and related responsibilities to deliver email, data centre and telecommunication services to federal government departments and agencies, operate and modernize the Government of Canada's (GC) IT infrastructure throughout the public sector, and deliver related cyber and IT security services, workplace technology devices and other optional services, involve risks and uncertainty within the Department as well as throughout the Government of Canada as an interconnected risk landscape. On March 13, 2020, in response to the global COVID-19 pandemic, a work-from-home order came into effect for most public servants. This put an unprecedented demand on GC networks and bandwidth, remote access capabilities, collaboration and communication tools, and other support services for all GC employees. Similarly, new programs had to be rapidly designed and implemented to support Canadians and businesses during these challenging times. In order to support the GC pandemic response and meet the unprecedented demand for digital services due to COVID-19, SSC took action to support departments' critical services. The pandemic has highlighted the crucial nature of SSC's services that ensure the continuous delivery of federal services to Canadians, and the abilities of SSC team members to step up to the challenge. SSC's experience supporting the GC's pandemic response affirmed that the Department's pre-COVID priorities and enterprise approach to IT are well suited to delivering enterprise outcomes, and, in turn, results to Canadians.

While the response to COVID-19 necessitated the accelerated implementation of digital government across the GC with improvements that represent lasting contributions towards the GC vision for digital government, more work is required to develop and advance modern, reliable, digital service delivery channels to serve Canadians. SSC will continue to move forward with an enterprise approach to manage GC IT in a holistic, agile, and risk-aware approach that supports the GC vision of digital government.

For the 2021-22 fiscal year, SSC will report on one overarching core responsibility that encompasses all aspects of SSC's mandate. This streamlining reflects the rapid evolution and convergence of technologies and will make it easier to provide a coherent and integrated performance narrative that will reflect the work of the Department.

Adopting an enterprise approach to digital governance across departments involves the alignment of the Department's priorities to four key areas:

- network and security
- collaboration tools

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- application modernization
- enabling the enterprise to meet the needs of today and tomorrow

In addition, SSC promotes effective financial management practices and financial sustainability to ensure that it has the financial resources, systems, and funding mechanisms in place to maintain and enhance mission-critical systems while funding modernization initiatives. The Department is also taking steps to ensure a workforce with the right skills and capacity to sustain current, transitional, and future business needs. These include:

- developing recruitment and retention strategies that focus on learning, re-training, re-skilling, alternate and flexible work arrangements while promoting diversity and inclusion in the workplace
- proactive classification and staffing resourcing strategies while providing measures that could address the mental health related issues
- driving the adoption of emerging technologies and work arrangements, as demonstrated by the Cloud First Strategy, modern office arrangements and designs, data analytics, mobile technologies, enhancing cyber defences, among others

The interconnected risk landscape driven by technology and challenged by both traditional and emerging forms of risks like climate change, pandemic and cyber threats has increased volatility challenges for risk management today. SSC strives for excellence in its risk management and is focused on continuously improving risk management practices, applying high standards and ensuring that risk management is integrated within decision-making, planning and reporting. The risk management function continuously seeks to strengthen its risk management processes and procedures, systems, governance structures, service delivery model, tools, analytics capacity and controls. Within this context, SSC is revising its Corporate Risk Profile to ensure alignment with its enterprise approach and the GC vision for digital government during the 2021-22 fiscal year.

Additional risks that may impact the Department's spending plans, adoption of new technologies and strategies, as well as steps to mitigate those risks are described in [SSC's 2021-22 Departmental Plan](#).

4.0 Significant changes in relation to operations, personnel and programs

On April 1, 2021, Raj Thuppal, Chief Technology Officer, left SSC.

On April 30, 2021, Luc Bégin, Ombudsman for SSC, retired and was replaced by Alexandre St-Jean.

Approval by senior officials

Original signed by

Paul Glover
President

Ottawa, Canada
August 26, 2021

Original signed by

Samantha Hazen, CPA, CA
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 2021-22			Fiscal year 2020-21		
	Total available for use for the year ending March 31, 2022*	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*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Vote 1 - Operating expenditures						
Gross operating expenditures	2,289,283	586,303	586,303	2,134,020	501,120	501,120
Vote netted revenues	(595,000)	(13,573)	(13,573)	(595,000)	(106,875)	(106,875)
Net operating expenditures	1,694,283	572,730	572,730	1,539,020	394,245	394,245
Vote 5 - Capital expenditures						
Gross capital expenditures	346,128	20,964	20,964	286,326	43,416	43,416
Vote netted revenues	(70,000)	-	-	(70,000)	-	-
Net capital expenditures	276,128	20,964	20,964	216,326	43,416	43,416
(S) Contributions to employee benefit plans	95,791	23,668	23,668	94,194	23,453	23,453
Total budgetary authorities	2,066,202	617,362	617,362	1,849,540	461,114	461,114

* 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 2021-22			Fiscal year 2020-21		
	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021*	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Expenditures:						
Personnel (includes EBP)	739,970	244,540	244,540	624,239	183,684	183,684
Transportation and communications	680,752	70,067	70,067	632,972	64,315	64,315
Information	1,703	219	219	1,199	2	2
Professional and special services	291,327	53,492	53,492	277,687	60,301	60,301
Rentals	430,508	199,414	199,414	397,711	184,684	184,684
Repair and maintenance	169,911	29,715	29,715	160,898	34,950	34,950
Utilities, materials and supplies	9,486	363	363	9,342	553	553
Acquisition of land, buildings and works	12,833	895	895	12,845	863	863
Acquisition of machinery and equipment	387,678	28,884	28,884	389,719	40,038	40,038
Transfer payments	-	-	-	-	-	-
Public debt charges	5,654	1,382	1,382	5,724	1,597	1,597
Other subsidies and payments	1,380	1,964	1,964	2,204	(2,998)	(2,998)
Total gross budgetary expenditures	2,731,202	630,935	630,935	2,514,540	567,989	567,989
Less revenues netted against expenditures:						
Vote netted revenues	665,000	13,573	13,573	665,000	106,875	106,875
Total revenues netted against expenditures	665,000	13,573	13,573	665,000	106,875	106,875
Total net budgetary expenditures	2,066,202	617,362	617,362	1,849,540	461,114	461,114

* 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

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 Plans (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 the expenditures by categories, 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.