



Service | Innovation | Value

SHARED SERVICES CANADA

Future-Oriented Statement of Operations

For the year ending March 31, 2018



Shared Services
Canada

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Future-Oriented Statement of Operations
For the year ending March 31
(in thousands of dollars)

	Forecast Results 2016-17	Planned Results 2017-18
Expenses		
Email and Workplace Technology	190,390	168,049
Data Centres	706,286	646,768
Telecommunications	842,574	684,239
Cyber and IT Security	176,228	185,408
Program Management	-	116,551
Brokered Public Cloud Services	-	1,286
Internal Services	170,509	178,777
Total expenses	2,085,987	1,981,078
Revenues		
Sale of goods and services	534,033	418,641
Miscellaneous revenues	504	448
Revenues earned on behalf of Government	(11,561)	(11,555)
Total revenues	522,976	407,534
Net cost of operations before government funding and transfers	1,563,011	1,573,544

The accompanying notes form an integral part of this Future-Oriented Statement of Operations.

Shared Services Canada
Notes to the Future-Oriented Statement of Operations
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1. Methodology and Significant Assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2016-17 has been calculated based on forecasts of Shared Services Canada's (SSC) activities that are known or expected for the current year. Forecasts have been made for the planned results for fiscal year 2017-18.

Following a change in methodology, the figures presented are based on forecasted results rather than being authority driven.

The main assumptions underlying the forecasts are as follows:

- (a) The Department's activities will remain substantially the same as in the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on past experience. The general historical pattern is expected to continue.
- (c) Planned results include operations for which there is reasonable assurance that appropriate authorities will be obtained.

These assumptions were adopted as at January 31, 2017.

2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2016-17 and for 2017-18, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, SSC has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- (a) The timing and the amount of acquisitions and disposals of tangible capital assets which may affect gains, losses and amortization expense.
- (b) The implementation of new collective agreements.
- (c) Economic conditions, which may affect both the amount of revenue earned and the collectability of receivables.
- (d) Other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, SSC will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

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3. Summary of Significant Accounting Policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2016-17, and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Expenses

Expenses are recorded on the accrual basis.

Expenses for SSC's operations are recorded when goods are received or services are rendered, including services provided without charge for accommodation, employer contributions to health and dental insurance plans and legal services, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave, as well as severance benefits, are accrued, and expenses are recorded as the benefits are earned by employees under their terms of employment.

Expenses also include provisions to reflect changes in the value of assets and liabilities, including contingent liabilities, to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

b) Revenues

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

Funds that have been received in advance are recorded as deferred revenue, provided SSC has an obligation to other parties for the provision of goods, services or the use of assets in the future.

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

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4. Parliamentary Authorities

SSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to SSC differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSC has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to requested authorities

	Forecast Results 2016-17	Planned Results 2017-18
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	1,563,011	1,573,544
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(136,277)	(188,057)
Net loss on disposal of tangible capital assets and adjustments	10	-
Services provided without charge by other government departments	(81,163)	(83,007)
Decrease (increase) in vacation pay and compensatory leave	538	(1,103)
Decrease (increase) in employee future benefits	(418)	(1,324)
Refunds and adjustments to previous years' expenses	9,694	9,924
Respendable revenue	3,468	-
Other	490	440
Total items affecting net cost of operations but not affecting authorities	(203,658)	(263,127)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	363,239	379,955
Payments on lease obligations for tangible capital assets	43,687	36,090
Increase (decrease) in prepaid expenses	(32,472)	(917)
Total items not affecting net cost of operations but affecting authorities	374,454	415,128
Requested authorities	1,733,807	1,725,545

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b) Requested authorities

	Forecast Results 2016-17	Planned Results 2017-18
	(in thousands of dollars)	
Requested authorities:		
Vote 1 – Operating expenditures	1,341,498	1,263,902
Vote 5 – Capital expenditures	429,345	379,955
Statutory amounts	90,030	81,688
	1,860,873	1,725,545
Less:		
Authorities available for future years *	(127,066)	-
Requested authorities	1,733,807	1,725,545

* The total estimated lapse of \$127 million in operating and capital expenditures includes an amount of \$42 million of funds not available for items such as carry-forward to 2017-18, frozen allotments and adjustments to the Employee Benefits Plans (EBP), resulting in \$85 million for investment opportunities, including support to partner departments.