



Shared Services Canada Quarterly Financial Report

For the quarter ended September 30, 2019



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Table of contents

1.0	Introduction	3
1.1	Authority, Mandate and Programs	3
1.2	Basis of Presentation	3
1.3	Shared Services Canada Financial Structure	4
2.0	Highlights of Fiscal Quarter and Fiscal Year-to-Date Results	4
2.1	Significant Changes to Authorities	5
2.2	Explanations of Significant Variances from Previous Year Expenditures	6
3.0	Risks and Uncertainty.....	8
4.0	Significant Changes in Relation to Operations, Personnel and Programs.....	8
5.0	Statement of Authorities (<i>unaudited</i>)	9
6.0	Departmental Budgetary Expenditures by Standard Object (<i>unaudited</i>)	10
7.0	Glossary	11

1.0 Introduction

This quarterly financial report should be read in conjunction with the [2019-20 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) reports to Parliament through the Minister of Public Services and Procurement Canada and Minister responsible for SSC. The Department provides services related to email, data centres, networks and end-user information technology (IT) to organizations specified by the Governor in Council. SSC also provides government-wide secure IT infrastructure services. The Minister responsible for SSC has the authority to procure whatever is required to provide shared IT infrastructure services to departments. Maintaining strong customer relationships and service management is essential to the successful delivery of SSC's mandate.

SSC works to manage and improve the efficiency, reliability and security of the government's IT infrastructure. A more efficient use of technology will increase productivity across departments and support the vision of a twenty-first-century Public Service, as articulated in [Blueprint 2020](#).

In carrying out its mandate, SSC is supporting the [Digital Operations Strategic Plan: 2018 to 2022](#) and the [Government of Canada Cloud Adoption Strategy](#), as well as working in partnership with public-sector 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 [2019-20 Main Estimates](#) and in [SSC's 2019-20 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 [2019-20 Main Estimates](#). 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.

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

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

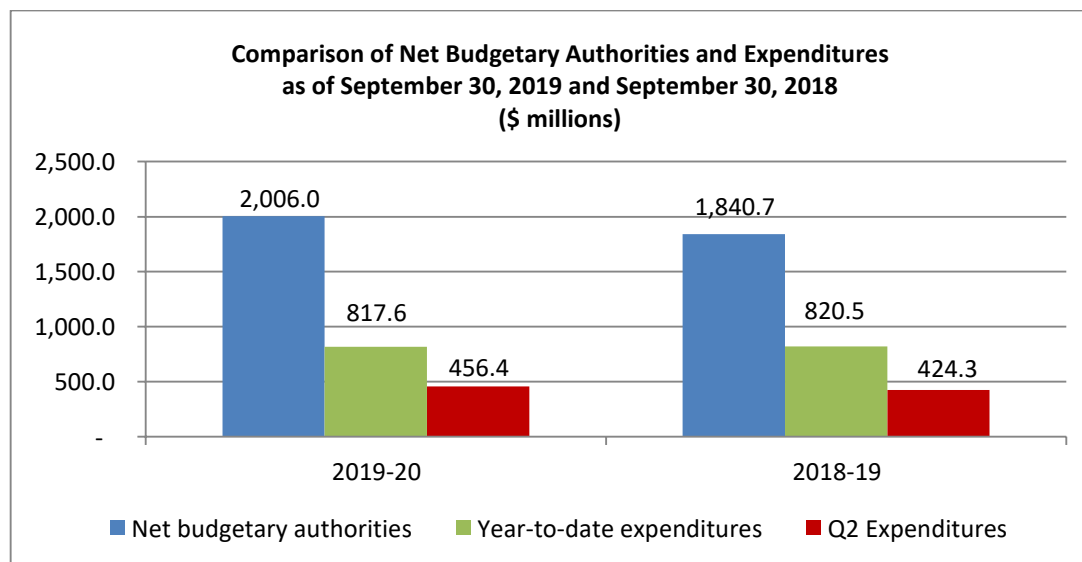
SSC has a financial structure composed mainly of voted budgetary authorities, namely Vote 1 - Operating Expenditures, including Vote Netted Revenues, Vote 5 - Capital Expenditures, including Vote Netted Revenues, and Vote 10 - Making Federal Government Workplaces More Accessible. The statutory authorities comprise the contributions to the 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 second quarter of 2019-20, 92% of the Department's budget was devoted to support its IT consolidation and standardization goals while ensuring 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 support services provided by SSC.

Total Vote Netted Revenue authority for 2019-20 is \$665.0 million, which consists of spendable revenue for IT infrastructure services provided by SSC to partner organizations and other 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 September 30, 2019 and September 30, 2018, for the Department's combined Vote 1 - Operating Expenditures, Vote 5 - Capital Expenditures, Vote 10 - Making Federal Government Workplaces More Accessible, and Statutory Authorities.



**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

2.1 Significant Changes to Authorities

For the period ended September 30, 2019, the authorities available to the Department include the Main Estimates and the Budget Carry Forward from 2018-19, less a temporary frozen allotment of \$10.0 million in Vote 1 related to Secure Canada's Government IT Infrastructure and Information. Authorities available for spending in 2019-20 were \$2,006.0 million at the end of the second quarter, compared to \$1,840.7 million at the end of the second quarter of 2018-19, representing an increase of \$165.3 million, or 9.0%. This total increase is a combination of an increase of \$303.4 million in Vote 1 – Gross Operating Expenditures, a decrease of \$33.0 million in Vote 5 – Gross Capital Expenditures, an increase of \$1.6 million in Vote 10 – Making Federal Government Workplaces More Accessible, an increase in Budgetary Statutory Authorities of \$5.7 million and an increase of \$112.4 million in Vote Netted Revenues (increase in Vote Netted Revenues decreased the total net authorities available).

Comparison of Net Budgetary Authorities for the Quarters Ended September 30, 2019 and September 30, 2018

Net Authorities Available (\$ millions)	2019-20	2018-19	Variance
Vote 1 - Operating Expenditures	2,226.9	1,923.5	303.4
Vote 5 - Capital Expenditures	348.4	381.4	(33.0)
Vote 10 - Making Federal Government Workplaces More Accessible	1.6	-	1.6
Vote Netted Revenues	(665.0)	(552.6)	(112.4)
Statutory (EBP)	94.1	88.4	5.7
Total Net Authorities	2,006.0	1,840.7	165.3

Vote 1 – Gross Operating Expenditures

The Department's Vote 1 increased by \$303.4 million, compared to the second quarter of 2018-19, mainly due to:

- An increase of \$179.3 million related to funding received for the following projects and initiatives:
 - Improving Service Integrity Mission-Critical Projects (\$74.4 million);
 - Cyber and Information Technology Security Initiatives (\$24.6 million);
 - Workload Migration, Cloud Architecture, Secure Cloud Enablement (\$24.5 million);
 - Improving Service Integrity at SSC (\$23.1 million);
 - Service Integrity 2.0 – Asset Discovery and Inventory Management and Maintenance & Support Contracts (\$17.1 million);
 - 2018-2020 Immigration Levels Plan (\$5.3 million);
 - 2021 Census of Population Program and Census of Agriculture (\$4.9 million);
 - Information Technology Refresh Program (\$2.0 million);
 - Other projects and initiatives (\$3.4 million);
- An increase of \$86.1 million in Vote Netted Revenue authorities;
- An increase of \$50.0 million related to a realignment of funding authority from Vote 5 to Vote 1;
- An increase of \$26.4 million related to the 2018-19 Operating Budget Carry Forward received in 2019-20 compared to the 2017-18 Operating Budget Carry Forward received in 2018-19;
- An increase of \$14.8 million related to the reprofiling of funding for High Performance Computing for Environment and Climate Change Canada (\$12.0 million) and Improving Service Integrity Mission-Critical Projects (\$2.8 million);

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

- A decrease of \$36.2 million related to the following projects and initiatives:
 - Sunset Funding for 2018 G7 Summit (\$15.3 million);
 - Secure Canada's Government IT Infrastructure and Information (temporary frozen allotment of \$10.0 million);
 - High Performance Computing for Environment and Climate Change Canada (\$7.9 million);
 - Other projects and initiatives (\$3.0 million); and
- A net decrease of \$17.0 million in transfers from partners related to funding for various projects and initiatives.

Vote 5 – Gross Capital Expenditures

The Department's Vote 5 decreased by \$33.0 million, compared to the second quarter of 2018-19, mainly due to:

- A decrease of \$50.0 million related to a realignment of funding authority from Vote 5 to Vote 1;
- A decrease of \$20.4 million related to the 2018-19 Capital Budget Carry Forward received in 2019-20 compared to the 2017-18 Capital Budget Carry Forward received in 2018-19;
- A decrease of \$15.2 million related to the reprofiling of funding for the Carling Campus project (\$13.1 million) and High Performance Computing for Environment and Climate Change Canada (\$2.1 million);
- A decrease of \$4.7 million related to the Information Technology Refresh Program;
- An increase of \$30.1 million related to funding received for the following projects and initiatives:
 - High Performance Computing for Environment and Climate Change Canada (\$14.5 million);
 - Workload Migration, Cloud Architecture, Secure Cloud Enablement (\$7.0 million);
 - Cyber and Information Technology Security Initiatives (\$5.6 million);
 - 2021 Census of Population Program and Census of Agriculture (\$3.0 million);
- An increase of \$26.3 million in Vote Netted Revenue authorities; and
- A net increase of \$0.9 million in transfers from partners related to funding for various projects and initiatives.

Vote 10 – Making Federal Government Workplaces More Accessible

The Department's Vote 10 increased by \$1.6 million, compared to the second quarter of 2018-19, due to a new Vote SSC obtained in 2019-20 for the initiative "Making Federal Government Workplaces More Accessible", announced in Budget 2019.

Statutory (EBP)

The Department's Employee Benefits Plan (EBP) authority increased by \$5.7 million, compared to the second quarter of 2018-19, mainly due to funding received for Improving Service Integrity at SSC.

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 September 30, 2019, have decreased by \$2.9 million, from \$820.5 million to \$817.6 million as per the table below. This represents a decrease of 0.4% against expenditures recorded for the same period in 2018-19.

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

Comparison of Year-to-Date Expenditures for the Quarters Ended September 30, 2019 and September 30, 2018

Net Year-to-Date Expenditures (\$ millions)	2019-20	2018-19	Variance
Vote 1 - Operating Expenditures	882.5	877.2	5.3
Vote 5 - Capital Expenditures	109.6	50.0	59.6
Vote 10 - Making Federal Government Workplaces More Accessible	-	-	-
Vote Netted Revenues	(221.5)	(146.4)	(75.1)
Statutory (EBP)	47.0	39.7	7.3
Total Net Year-to-Date Expenditures	817.6	820.5	(2.9)

Vote 1 - Increase of \$5.3 million

The net increase in operating expenditures, compared to the second quarter of 2018-19, is mainly attributed to:

- Personnel expenditures increased by \$27.8 million. This increase is mainly due to an increase in the number of SSC's employees in 2019-20;
- Repair and maintenance expenditures increased by \$24.2 million. This increase is mainly attributable to repair and maintenance of hardware and communication network equipment, including Blackberries, as well as expenditures related to the Information Technology Refresh Program;
- Professional and special services increased by \$15.9 million. This increase is mainly attributable to expenditures related to Workload Migration, Cloud Architecture, Secure Cloud Enablement, to expenditures related to Improving Service Integrity at SSC, as well as expenditures related to Mission-Critical Projects;
- Transportation and communications expenditures decreased by \$43.3 million. This decrease is mainly due to timing differences of payments between fiscal years and to expenditures related to the 2018 G7 Summit last fiscal year. This decrease is also attributable to payments made in the first and second quarters of 2018-19 to Foreign Affairs for Missions abroad for \$10.6 million which will be done via a transfer of funds in 2019-20 through the Supplementary Estimates;
- Rentals expenditures decreased by \$10.9 million. This decrease is mainly due to timing differences of payments between fiscal years. This decrease is partially offset by an increase attributable to new contracts for software licenses and maintenance fees;
- Acquisitions of machinery and equipment decreased by \$9.0 million. This decrease is mainly explained by a decrease in expenditures related to the acquisition of hardware and communication network equipment and to expenditures related to the 2018 G7 Summit last fiscal year. This decrease is partially offset by an increase in expenditures related to the Information Technology Refresh Program; and
- Increase of \$0.6 million in other various expenditures.

Vote 5 - Increase of \$59.6 million

The net increase in capital expenditures, compared to the second quarter of 2018-19, is mainly attributed to:

- Acquisitions of machinery and equipment increased by \$56.0 million. This increase is mainly due to expenditures related to the Information Technology Refresh Program and to various SSC-Led and Customer-Led projects; and

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

- Increase of \$3.6 million in other various expenditures.

Vote Netted Revenues - Increase of \$75.1 million

The increase in the collected Vote Netted Revenues, compared to the second quarter of 2018-19, is mainly due to timing difference between fiscal years in billing the services provided by SSC to partner departments.

3.0 Risks and Uncertainty

Ensuring adequate resource capacity to provide IT infrastructure, email, data centres and network services across government represents a key risk for both SSC and the Government of Canada in the years ahead. Maintaining Government of Canada IT infrastructure services while undertaking IT modernization initiatives will require an engaged employee base possessing a specialized skill set, as well as sustainable, and reliable funding. How well this risk is managed will impact whether SSC and its partners can fulfill the collective mandate to serve Canadians. In order to better support this mandate and manage this key risk, SSC continues to improve its enabling functions such as financial management, project management and people management, which are essential to the successful implementation of spending plans and achievement of strategic objectives.

SSC is promoting effective financial management practices and financial sustainability to ensure that it has the financial resources, systems and funding mechanisms in place to maintain mission-critical systems and fund the modernization initiatives. The Department is also taking steps, such as developing recruitment and retention strategies that focus on learning, re-training, re-skilling, alternate and flexible work arrangements, and proactive classification and staffing resourcing strategies, to ensure a workforce with the right skills and capacity to sustain current, transitional and future business needs.

Additional risks that may impact the Department's spending plans, as well as strategies to mitigate those risks, are described in [SSC's 2019-20 Departmental Plan](#).

4.0 Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to operations, personnel and programs over the last quarter.

Approval by Senior Officials

Original signed by Sarah Paquet for

Paul Glover
President

Ottawa, Canada
November 28, 2019

Original signed by

Denis Bombardier, CPA, CGA
Senior Assistant Deputy Minister,
Chief Financial Officer

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

5.0 Statement of Authorities (*unaudited*)

<i>(in thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year-to-date used at quarter-end
Vote 1 - Operating expenditures						
Gross Operating expenditures	2,226,872	444,830	882,480	1,923,472	439,752	877,225
Vote Netted Revenues	(595,000)	(97,374)	(221,518)	(508,867)	(37,983)	(144,786)
Net Operating expenditures	1,631,872	347,456	660,962	1,414,605	401,769	732,439
Vote 5 - Capital expenditures						
Gross Capital expenditures	348,453	85,468	109,569	381,414	4,343	50,035
Vote Netted Revenues	(70,000)	-	-	(43,750)	(1,679)	(1,679)
Net Capital expenditures	278,453	85,468	109,569	337,664	2,664	48,356
Vote 10 - Making Federal Government Workplaces More Accessible	1,620	-	-	-	-	-
(S) Contributions to employee benefit plans	94,086	23,522	47,043	88,395	19,834	39,668
Total Budgetary authorities	2,006,031	456,446	817,574	1,840,664	424,267	820,463

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

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

6.0 Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended September 30, 2019	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended September 30, 2018	Year-to-date used at quarter-end
Expenditures:						
Personnel (includes EBP)	708,151	177,921	350,157	674,430	162,713	319,584
Transportation and communications	641,220	119,675	170,751	547,000	138,020	211,344
Information	1,211	128	264	848	283	490
Professional and special services	286,619	74,682	111,579	246,355	59,719	94,901
Rentals	401,739	27,468	163,282	331,685	(6,074)	173,987
Repair and maintenance	162,861	46,785	84,650	132,577	37,560	59,845
Utilities, materials and supplies	9,436	1,602	2,259	8,092	1,521	2,135
Acquisition of land, buildings and works	13,783	1,984	3,965	13,795	-	-
Acquisition of machinery and equipment	438,652	100,866	145,054	432,018	68,708	98,027
Transfer payments	-	-	-	-	-	-
Public debt charges	5,031	847	1,674	4,181	1,558	1,993
Other subsidies and payments	2,328	1,862	5,457	2,300	(79)	4,622
Total gross budgetary expenditures	2,671,031	553,820	1,039,092	2,393,281	463,929	966,928
Less Revenues netted against expenditures:						
Vote Netted Revenues	665,000	97,374	221,518	552,617	39,662	146,465
Total Revenues netted against expenditures	665,000	97,374	221,518	552,617	39,662	146,465
Total net budgetary expenditures	2,006,031	456,446	817,574	1,840,664	424,267	820,463

* 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 (formerly known as the Report on Plans and Priorities) 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.

**Shared Services Canada
Quarterly Financial Report
For the quarter ended September 30, 2019**

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.

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; and
- 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 two Supplementary Estimates usually in late fall and early spring 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 and B).

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.