



Quarterly Financial Report

For the quarter ended
June 30, 2023

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. Our mission is to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

Further details on the Department's authority, mandate and core responsibilities can be found in Part II of the [Main Estimates](#) and in the [2023-24 Departmental Plan](#).

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 and 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 (the description can be found in paragraph 1.3.4).

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:

1.3.1 Cost-recovery basis

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.

1.3.2 Project management

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.

1.3.3 Payments in lieu of taxes

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.

1.3.4 Seized property account

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

One of the Government's top priorities remains the health and safety of Canadians as the COVID-19 pandemic evolves. Throughout the pandemic, PSPC has been actively engaged in supporting the Government of Canada's 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 health units and beds. Now, as the Government of Canada turns its attention to the post-pandemic reality,

PSPC will be winding down COVID-19 procurement operations while continuing to maintain a portfolio of COVID-19 vaccines and plans to transition to sustainable management of COVID-19 vaccines. In the longer term, establishing domestic production capacity will further diversify Canada’s vaccine options and capabilities.

The COVID-19 pandemic has changed how Government of Canada employees work and the types of workplace accommodations that best support managers and employees providing critical services to Canadians. The department will collaborate with its government partners to help define the post-pandemic work environment by supporting the Government of Canada’s future of work, which includes transitioning to a hybrid work model.

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 \$164.1 million** (\$4,804.2 million at the first quarter of the fiscal year ending March 31, 2024 compared to \$4,640.1 million at the first quarter of the fiscal year ending March 31, 2023) as reflected in [Table 1–Statement of authorities \(unaudited\)](#) – For the quarter ended June 30, 2023 (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
Government of Canada’s Pay System	169.2	-	31.6	200.8
Price and Volume Protection	54.2	-	-	54.2
Employee Benefit Plan Adjustment	-	-	24.8	24.8
E-Procurement Solution	(22.5)	-	(1.3)	(23.8)
Planning and Investment in PSPC’s Assets Portfolio	(46.0)	(50.5)	(0.9)	(97.4)
Other	3.3	-	2.2	5.5
Cumulative variance in authorities available for use	158.2	(50.5)	56.4	164.1

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 \$164.1 million** from the first quarter of the fiscal year ending March 31, 2023 can be explained by:

Government of Canada’s Pay System – increase of \$200.8 million

The increase relates to additional funding announced in Budget 2023 to offset funding that sunset in fiscal year 2022 to 2023. Funding will enable PSPC to continue fulfilling its mandate as the Government of Canada’s pay administrator by maintaining overall stability, eliminating the backlog of cases older than one year, ensuring continuous improvement of its pay operations and making progress towards stabilizing queue management.

Price and Volume Protection – increase of \$54.2 million

The increase is a result of funding received for the protection from inflation and price variations relating to space requirements for real property elements over which PSPC has very little or no control such as rent, cost of utilities and accommodation costs.

Employee Benefit Plan (EBP) Adjustment – increase of \$24.8 million

The increase relates to the EBP rate adjustments as per the Treasury Board of Canada Secretariat (TBS) instructions which is applied on the year-over-year change in funding received.

E-Procurement Solution – decrease of \$23.8 million

The decrease is mainly due to the winding down of the project implementation costs as the implementation phase within PSPC is expected to be completed by July 2023. As announced in Budget 2018, the cloud-based E-Procurement Solution will modernize the government's procurement function, making purchasing simpler and easier to access.

Planning and Investment in PSPC's Assets Portfolio – decrease of \$97.4 million

The decrease reflects the Department's current funding approval to plan and deliver on its capital plan. The department will seek updated approval as needed in order to maintain the quality of its infrastructure for the benefit of all Canadians.

Other – increase of \$5.5 million

The increase is the result of funding variances in miscellaneous projects and activities.

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 increased by \$133.1 million** as compared to the same quarter of the previous year (\$1,384.8 million in the current fiscal year compared to \$1,251.7 million in the previous fiscal year).

Overall, total spending at the end of the first quarter represents 29% of annual planned expenditures for the current fiscal year compared to 27% for the first quarter of the previous year.

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

Standard Object	June 30, 2023 Year to date used at quarter end	June 30, 2022 Year to date used at quarter end	Year-over-year variance
Personnel	441.6	431.6	10.0
Transportation and communications	12.5	11.6	0.9
Information	2.3	3.1	(0.8)
Professional and special services	310.4	258.3	52.1
Rentals	322.5	318.0	4.5
Repair and maintenance	200.0	203.5	(3.5)
Utilities, materials and supplies	9.8	33.9	(24.1)
Acquisition of land, buildings and works	100.9	79.8	21.1
Acquisition of machinery and equipment	4.6	7.9	(3.3)
Transfer payments	375.6	263.1	112.5
Public Debt charges	25.9	28.4	(2.5)
Other subsidies and payments	50.0	63.0	(13.0)
Revenues netted against expenditures	(471.3)	(450.5)	(20.8)
Total net budgetary expenditures	1,384.8	1,251.7	133.1

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 increase of \$133.1 million** is mainly attributable to:

Personnel – increase of \$10.0 million

- The increase is due to the workforce dedicated to reducing the backlog of pay transactions and to stabilize pay operations as well as the workforce required to meet business needs mainly in Real Property Services Revolving Fund for the modernization of service delivery tools and for the rehabilitation of the Parliamentary Precinct.

Professional and special services – increase of \$52.1 million

- The increase is mainly due to:
 - Remediation projects for other government departments such as Faro Mine, Giant Mine and G Jetty and Jetty 11 in Esquimalt Harbour, British Columbia;
 - Increase in expenditures in the Parliamentary Precinct portfolio for the Centre Block building which was impacted by a construction trades strike last fiscal year;
 - Increase in services for various IT projects such as GCDOcs and GCCase and for the modernization of service delivery tools to foster government initiatives in Real Property Services; and
 - Timing difference of invoices received from Shared Services Canada for Government of Canada programs and services and also for technology services and support.

Utilities, materials and supplies – decrease of \$24.1 million

- The decrease is due to a change in presentation of vaccines-related transactions following the implementation of the new Public Sector Accounting Standard on revenue, which impacted the Optional Services Revolving Fund. In prior years vaccines revenues collected and the related expenses were recorded separately. Starting this fiscal year, the cost of vaccines will be reduced by the vaccine revenues (net basis presentation).

Acquisition of land, buildings and works – increase of \$21.1 million

- The increase is due to renewal projects at Place du Portage, Les Terrasses de la Chaudière and the Lester B. Pearson building in the National Capital Region as well as an increase of work in the Bowden Wastewater Lagoon rehabilitation project for Correctional Service Canada in the Western region.
- The increase was partially offset by the completion of various projects in Quebec, Ontario, and Pacific regions.

Transfer payments – increase of \$112.5 million

- The increase is due to a timing difference between when a payment in lieu of taxes is issued to municipalities and when the cost is recovered from other government departments.

Other subsidies and payments – decrease of \$13.0 million

- The decrease is mainly due to timing difference between the receipts and payments of invoices compared to the previous year, such as the payments in lieu of taxes for PSPC-owned buildings.

Other standard objects – decrease of \$4.7 million

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

Revenues netted against expenditures – increase of \$20.8 million

- The increase is due to:
 - Timing difference of billing for projects and rental revenues occurring earlier this fiscal year; and
 - Increase in remediation activities for projects managed by Real Property Services Revolving Fund for other government departments including Giant Mine project for Crown-Indigenous Relations and Northern Affairs Canada and Bowden Wastewater Lagoon project for Correctional Service Canada.
- The increase was partially offset by:
 - The change in presentation of vaccines-related transactions following the implementation of the new Public Sector Accounting Standard on revenue, which impacted the Optional Services Revolving Fund. In prior years vaccines revenues collected and the related expenses were recorded separately. Starting this fiscal year, the vaccine revenues will be recorded against the cost of vaccines under “Utilities, materials and supplies”, and no longer as revenues (net basis presentation);
 - Completion of various projects in the Quebec region reducing the business volume from prior year; and
 - Timing difference in invoicing other government departments for GCDocs and GCCase services this fiscal year.

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 Integrated Risk Management Framework.

The key risks identified as having a potential financial impact on PSPC's operations are:

3.1 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. To mitigate 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;
- identification of changing requirements for cost-recovered services and activities on the part of client departments and agencies; and,
- developing and implementing client onboarding strategies.

3.2 PSPC's ability to deliver on large-scale and complex initiatives

The effective and efficient delivery of major PSPC initiatives may be impeded due to the nature of large-scale and complex work (project scale, complexities, partner dependencies, evolving security requirements) along with current global events (inflation, supply delays and industry capacity limitations) which may affect the department's credibility with stakeholders. To mitigate this risk, PSPC is taking the following measures, among others:

- Structuring, financing and accelerating the modernization of Fit-up programs to deliver on the GCWorkplace vision;
- Developing security, scientific equipment, IM/IT and real property strategies, solutions, costings, and requirements to advance projects and support the federal science community; and,
- Refreshing the National Project Management System and creating an Enterprise Governance Framework model for project management to reduce or lessen the impact should the risk materialize.

3.3 Real property asset integrity, safety and accessibility

The integrity, safety and accessibility of PSPC real property and infrastructure assets could be compromised by climate change, natural disasters, infrastructure deterioration and original design insufficiencies, as well as human related actions, which may impede the continuity of government operations and the well-being of Canadians. Without sufficient funding levels, PSPC will have difficulty successfully delivering programs, which could lead to additional costs, missed opportunities, and could potentially put the integrity of certain assets at risk. To mitigate this risk, PSPC is taking the following measures, among others:

- Undertaking extensive infrastructure renewal activities;

- Continue delivering various projects to preserve buildings, stop or reduce ongoing deterioration, respond to urgent building repair requirements, address health and safety issues, and reduce the cost and complexity of future work; and,
- Continue identifying and prioritizing projects according to a rigorous and cyclical portfolio planning process, as well as demonstration of cost savings.

3.4 HR-to-Pay stabilization

PSPC may encounter delays to achieving full stabilization of pay administration for the Government of Canada, as a result of the sustained increases in the volume of work received at the Pay Centre from client departments while facing capacity constraints, which could further impede efforts to increase stakeholder trust and lessen liabilities to the Government of Canada. To mitigate this risk, PSPC is taking the following measures, among others:

- Providing business intelligence and reports on HR-to-Pay stabilization and delivering monthly timeliness reports to departments and agencies to assist with the identification of upstream issues that affect pay; and,
- Prioritizing cases that are more than a year once intake management is stabilized and additional resources start working on the Pay Centre queue.

4. Significant changes to operations, personnel and programs

- The following change in personnel was made since the last published quarterly report: The appointment of Alex Benay as Associate Deputy Minister for Enterprise Pay Operations, effective June 26, 2023.

Approved by:

The original version was approved and signed by
Scott Jones for

Paul Thompson
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
August 29, 2023

The original version was approved and signed by
Alain Lagacé for

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

Gatineau, Canada
August 29, 2023

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2024			Fiscal year ending March 31, 2023		
	Total available for use for the year ending March 31, 2024 1) 2)	Used during the quarter ended June 30, 2023	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended June 30, 2022	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,424,016	915,341	915,341	4,196,816	891,356	891,356
Vote-netted revenues	(1,399,079)	(263,860)	(263,860)	(1,330,000)	(215,432)	(215,432)
Net operating expenditures	3,024,937	651,481	651,481	2,866,816	675,924	675,924
Vote 5 - Capital expenditures	1,559,955	210,597	210,597	1,610,417	176,168	176,168
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,308,780	294,863	294,863	2,478,068	277,211	277,211
Revenues	(2,305,280)	(163,423)	(163,423)	(2,479,911)	(157,413)	(157,413)
Net expenditures	3,500	131,440	131,440	(1,843)	119,798	119,798
Translation Bureau Revolving Fund						
Gross expenditures	182,525	32,921	32,921	177,701	32,553	32,553
Revenues	(174,456)	(31,580)	(31,580)	(170,349)	(30,103)	(30,103)
Net expenditures	8,069	1,341	1,341	7,352	2,450	2,450
Optional Services Revolving Fund						
Gross expenditures	15,630	(5,871)	(5,871)	262,724	22,672	22,672
Revenues	(15,815)	(12,460)	(12,460)	(262,401)	(47,550)	(47,550)
Net expenditures	(185)	(18,331)	(18,331)	323	(24,878)	(24,878)
Total of all revolving funds						
Gross expenditures	2,506,935	321,913	321,913	2,918,493	332,436	332,436
Revenues	(2,495,551)	(207,463)	(207,463)	(2,912,661)	(235,066)	(235,066)
Total revolving fund net expenditures	11,384	114,450	114,450	5,832	97,370	97,370

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2024			Fiscal year ending March 31, 2023		
	Total available for use for the year ending March 31, 2024 1) 2)	Used during the quarter ended June 30, 2023	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended June 30, 2022	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	207,435	32,601	32,601	156,456	39,114	39,114
Minister of PSP salary and motor car allowance	95	24	24	92	23	23
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	407	-	-	543	-	-
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	375,660	375,660	-	263,066	263,066
Total other budgetary statutory authorities	207,937	408,285	408,285	157,091	302,203	302,203
Total budgetary authorities	4,804,213	1,384,813	1,384,813	4,640,156	1,251,665	1,251,665
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	4,804,213	1,384,813	1,384,813	4,640,156	1,251,665	1,251,665

Net increase of \$164.1 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, 2024 and March 31, 2023, 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, 2024			Fiscal year ending March 31, 2023		
	Planned expenditures for the year ending March 31, 2024 1) 2)	Expended during the quarter ended June 30, 2023	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2023 1) 2)	Expended during the quarter ended June 30, 2022	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,927,739	441,567	441,567	1,762,744	431,547	431,547
Transportation and communications	65,658	12,536	12,536	85,002	11,648	11,648
Information	16,426	2,345	2,345	18,390	3,118	3,118
Professional and special services	2,388,978	310,466	310,466	2,358,665	258,338	258,338
Rentals	1,343,963	322,454	322,454	1,318,749	317,986	317,986
Repair and maintenance	1,187,226	200,015	200,015	1,327,264	203,484	203,484
Utilities, materials and supplies	149,609	9,777	9,777	367,022	33,892	33,892
Acquisition of land, buildings and works	951,464	100,854	100,854	933,516	79,770	79,770
Acquisition of machinery and equipment	152,314	4,587	4,587	171,127	7,918	7,918
Transfer payments ²⁾	-	375,660	375,660	-	263,066	263,066
Public Debt charges	124,074	25,857	25,857	129,345	28,347	28,347
Other subsidies and payments	391,392	50,018	50,018	410,993	63,049	63,049
Total gross budgetary expenditures	8,698,843	1,856,136	1,856,136	8,882,817	1,702,163	1,702,163
Less revenues netted against expenditures						
Revolving funds revenues	(2,495,551)	(207,463)	(207,463)	(2,912,661)	(235,066)	(235,066)
Vote-netted revenues	(1,399,079)	(263,860)	(263,860)	(1,330,000)	(215,432)	(215,432)
Total revenues netted against expenditures	(3,894,630)	(471,323)	(471,323)	(4,242,661)	(450,498)	(450,498)
Total net budgetary expenditures	4,804,213	1,384,813	1,384,813	4,640,156	1,251,665	1,251,665

Net increase of \$133.1 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, "Planned expenditures for the year" for both fiscal years ending March 31, 2024 and March 31, 2023, under "Transfer payments", are 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.