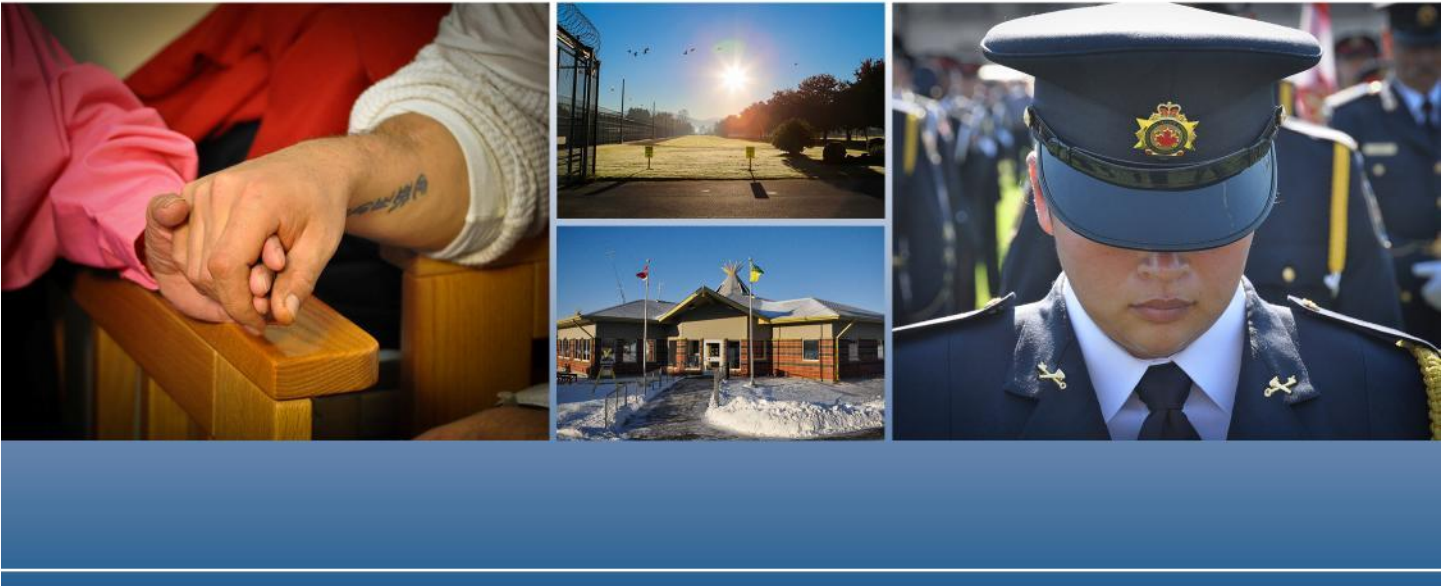


# CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



## Quarterly Financial Report

FOR THE QUARTER ENDED SEPTEMBER 30, 2024

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## 1. Introduction

This quarterly 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. This quarterly report should be read in conjunction with the [Main Estimates](#). This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined by law, is to contribute to the maintenance of a just, peaceful and safe society by carrying out sentences imposed by courts through the safe and humane custody and supervision of offenders; and by assisting the rehabilitation of offenders and their safe reintegration into the community as law-abiding citizens through the provision of programs in penitentiaries and in the community (Corrections and Conditional Release Act, s.3). A summary description of Correctional Service Canada (CSC)'s program activities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan 2024 to 2025](#).

### **1.1 Basis of presentation**

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying [Statement of authorities](#) includes CSC's spending authorities granted by Parliament and those used by the organization, consistent with the [Main Estimates](#) and [Supplementary Estimates](#) (as applicable). 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 Department. 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.

CSC 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 a cash expenditure basis.

CSC has an active Revolving Fund (CORCAN) that is included in the statutory authorities of the enclosed [Statement of authorities](#). CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods, after they are released into the community. CORCAN has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund (CRF) for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$11.0 million at any time during 2024 to 2025. Through Supplementary Estimates (A), 2020 to 2021<sup>1</sup>, the drawdown limit was increased from a previous amount of \$5.0 million. The increase was requested as a consequence of reduced sales and operations resulting from the COVID-19 pandemic.

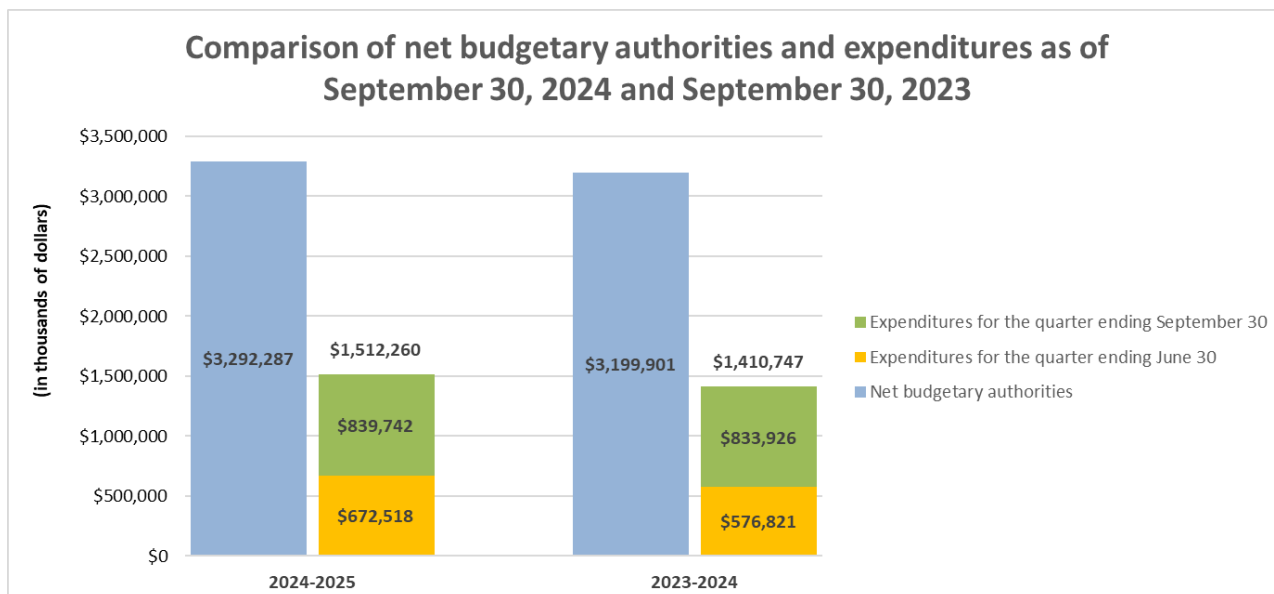
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<sup>1</sup> Released through Order in Council P.C. [2020-510](#) on June 26, 2020.

The limit will decrease by a further \$6.0 million during the 2025 to 2026 fiscal year, at which point it will return to the original \$5.0 million threshold.

## 2. Highlights of fiscal quarter and fiscal year to date (YTD) results

The following graph provides a comparison of the net budgetary authorities and expenditures as of September 30, 2024 and September 30, 2023 for CSC's combined operating, capital and budgetary statutory authorities.



### 2.1 Significant changes to authorities

As reflected in the [Statement of authorities](#) for the period ending September 30, 2024, CSC has seen an **increase** in total authorities of **\$92.4 million or 2.9%** for the current fiscal year compared to the previous fiscal year.

### Comparison of net budgetary authorities for the quarters ended September 30, 2024, and September 30, 2023

(in millions of dollars)

Net authorities available *	2024 to 2025	2023 to 2024	Variance
Vote 1 – Operating expenditures	2,765.3	2,687.1	78.3
Vote 5 – Capital expenditures	272.2	248.0	24.2
Statutory	254.7	264.8	(10.1)
<b>Total net budgetary authorities</b>	<b>3,292.3</b>	<b>3,199.9</b>	<b>92.4</b>

\* Numbers may not add up due to rounding.

#### Vote 1 - Operating

CSC's Operating Vote **increased by \$78.3 million or 2.9%** compared to the authorities at the end of September 2023, which is attributed to the net effect of the following significant items:

- an **increase of \$90.7 million** related to compensation for the funded portion of collective agreement increases
- an **increase of \$45.6 million** in funding to stabilize operations related to workplace injuries
- an **increase of \$42.0 million** in funding to cover incremental expenditures due to changes in offender population volumes and price fluctuations
- an **increase of \$16.9 million** in funding related to the operating budget carry forward
- an **increase of \$15.1 million** in funding for equipment and licenses to maintain a hybrid workforce
- an **increase of \$11.6 million** in funding related to *Transforming Federal Corrections* (Bill C-83)
- a **decrease of \$118.8 million** related to funding for class action lawsuits
- a **decrease of \$28.3 million** related to Refocusing Government Spending

#### Vote 5 - Capital

CSC's Capital Vote **increased by \$24.2 million or 9.7%** compared to the authorities at the end of September 2023, which is related to the net effect of the following significant items:

- an **increase of \$51.6 million** in funding to maintain and repair correctional facilities
- an **increase of \$14.6 million** in funding to reduce suspension points in correctional facilities
- an **increase of \$8.6 million** in funding for essential network enhancements
- an **increase of \$6.2 million** in funding to modernize existing security equipment infrastructure capability
- a **decrease of \$41.0 million** related to funding from the capital budget carry forward
- a **decrease of \$15.0 million** related to Refocusing Government Spending

## Budgetary statutory authorities

CSC's budgetary statutory authorities **decreased by \$10.1 million or -3.8%** compared to September 2023, which is mainly related to the department's allocation of the employer's share of the employee benefit plan.

## 2.2 Explanation of significant variances from previous year expenditures

As reflected in the [Statement of authorities](#) for the period ending September 30, 2024, CSC has seen an **increase** in total net budgetary expenditures of **\$101.5 million or 7.2%** for the current fiscal year compared to the previous fiscal year.

### Comparison of net budgetary expenditures for the quarters ended September 30, 2024, and September 30, 2023

(in millions of dollars)

Net year-to-date expenditures *	2024 to 2025	2023 to 2024	Variance
Vote 1 – Operating expenditures	1,295.6	1,215.8	79.8
Vote 5 – Capital expenditures	101.9	71.7	30.2
Statutory	114.8	123.3	(8.5)
<b>Total net year-to-date expenditures</b>	<b>1,512.3</b>	<b>1,410.7</b>	<b>101.5</b>

\* Numbers may not add up due to rounding.

### Vote 1 - Operating

CSC's operating expenditures **increased by \$79.8 million**, compared to the second quarter of 2023 to 2024, mainly due to the following:

- personnel expenditures **increased by \$58.5 million** primarily due to the ratification of several collective agreements at the end of June last year, including various increases in allowances, overtime cost increases, and a minor increase in the number of employees
- professional and special services **increased by \$6.5 million** primarily due to an increase in incremental expenditures which are due to changes in offender population volumes and price fluctuations
- utilities, materials and supplies **increased by \$8.1 million** primarily due to an increase in incremental expenditures which is caused by changes in offender population volumes and price fluctuations, an increase in the allowance for footwear
- other subsidies and payments **increased by \$7.2 million** primarily due to an increase in court ordered payments, out of court settlements, and Workers' Compensation Boards (WCB) expenditures

### Vote 5 – Capital

CSC's capital expenditures **increased by \$30.2 million**, compared to the second quarter of 2023 to 2024, mainly due to the following:

- personnel expenditures **increased by \$5.7 million** primarily due to new employees hired since June 2023 in relation to funding received following Budget announcements, as well as to the ratification of several collective agreements at the end of June last year
- professional and special services **increased by \$3.4 million** primarily due to an increase in information technology and telecommunications consultants fees
- acquisition of land, buildings and works **increased by \$2.4 million**, mainly in construction projects to address aging critical infrastructure and to ensure the safety and security of CSC's facilities
- acquisition of machinery and equipment **increased by \$18.7 million** primarily due to essential investments to meet operational requirements

### Budgetary statutory expenditures

CSC's statutory expenditures **decreased by \$8.5 million**, compared to the second quarter of 2023 to 2024, mainly due to the following:

- a **decrease of \$4.5M** in expenditures related to the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures
- a **decrease of \$2.1M** in expenditures in spending of proceeds from the disposal of surplus Crown assets mainly due to a delay in processing invoices
- an **increase \$1.8M** in CORCAN's net revenues

## 3. Risks and uncertainties

CSC's specific risks, as outlined in CSC's [Departmental Plan 2024 to 2025](#), are the increasingly complex and diverse profile of the offender population, the maintenance of required levels of operational safety and security in institutions and the community, the inability to implement its mandate and ensure the financial sustainability and modernization of the organization, the potential loss of support of partners delivering critical services and providing resources for offenders, the maintenance of public confidence in the federal correctional system, and the maintenance of a safe, secure, healthy, respectful, and collaborative working environment as established by its legal and policy obligations, mission, and values statement.

CSC will address existing financial challenges and will continue working on a modernization plan over the three-year planning period.

CSC continues to experience ongoing issues related to the Phoenix Pay System. Given the complexity of our workforce coupled with the operational nature of our organization, CSC has experienced a significantly high number of pay related issues. CSC is continuously working internally and with external stakeholders to resolve these issues.

CSC has put in place risk mitigation strategies to address the stated risks. The integrated approach allows CSC to handle risk-related challenges, ensure operational sustainability to fulfill its mandate.

CSC is working on a multi-year savings plan in order to meet the reduction targets resulting from Refocusing Government Spending.

#### **4. Significant changes in relation to operations, personnel and programs**

During the first quarter of 2024 to 2025, CSC experienced an unprecedented event as forest fires in the City of Port-Cartier (Quebec) which resulted in an evacuation order for the area. This led to the evacuation of 225 maximum security inmates from the Port-Cartier Institution to other federal institutions. It was a significant operation, requiring extensive work from staff and collaboration with various public safety partners. Given the urgency of this operation, CSC has experienced incremental costs associated with inmate transfers, including overtime and travel costs. Throughout the second quarter of 2024 to 2025, inmates were gradually transferred back to the institution which is no longer at risk of evacuation orders this season.

There have been no changes to key senior personnel in the second quarter of 2024 to 2025.

#### **5. Approvals by senior officials**

Approved by:

Original signed by \_\_\_\_\_  
Anne Kelly,  
Commissioner

Original signed by \_\_\_\_\_  
Tony Matson,  
Chief Financial Officer

*Ottawa, Canada*  
November 17, 2024



## 6. Statement of authorities (unaudited)

	<i>Fiscal year 2024 to 2025</i>			<i>Fiscal year 2023 to 2024</i>		
	Total available for use for the year ending March 31, 2025*	Used during the quarter ended September 30, 2024	Year to date used at quarter-end	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
<i>(in thousands of dollars)</i>						
<b>Vote 1 – Operating expenditures</b>						
Gross operating expenditures	2,771,422	726,915	1,298,346	2,691,012	695,979	1,217,753
Vote-netted revenues	(6,093)	(2,762)	(2,762)	(3,943)	(1,946)	(1,946)
<b>Net operating expenditures</b>	<b>2,765,329</b>	<b>724,153</b>	<b>1,295,584</b>	<b>2,687,069</b>	<b>694,033</b>	<b>1,215,807</b>
<b>Vote 5 – Capital expenditures</b>	<b>272,219</b>	<b>60,615</b>	<b>101,899</b>	<b>248,048</b>	<b>56,061</b>	<b>71,686</b>
<b>Budgetary statutory authorities</b>						
CORCAN gross expenditures	116,425	30,465	54,680	111,974	28,472	49,554
CORCAN revenues	(117,552)	(39,061)	(67,101)	(113,809)	(34,599)	(60,137)
CORCAN net expenditures	(1,127)	(8,596)	(12,421)	(1,835)	(6,127)	(10,583)
Spending of proceeds from disposal of surplus Crown assets	1,577	18	68	3,351	2,203	2,203
Contributions to employee benefits plans	254,289	63,552	127,104	263,268	87,756	131,634
Refunds of amounts credited to revenues in previous years	-	-	26	-	-	-
<b>Net budgetary statutory authorities</b>	<b>254,739</b>	<b>54,974</b>	<b>114,777</b>	<b>264,784</b>	<b>83,832</b>	<b>123,254</b>
<b>Total budgetary authorities</b>	<b>3,292,287</b>	<b>839,742</b>	<b>1,512,260</b>	<b>3,199,901</b>	<b>833,926</b>	<b>1,410,747</b>
<b>Non-budgetary authorities</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>
<b>Total authorities</b>	<b>3,292,332</b>	<b>839,742</b>	<b>1,512,260</b>	<b>3,199,946</b>	<b>833,926</b>	<b>1,410,747</b>

Note: Numbers may not add up due to rounding.

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

## 7. Departmental budgetary expenditures by standard object (unaudited)

	<i>Fiscal year 2024 to 2025</i>			<i>Fiscal year 2023 to 2024</i>		
	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended September 30, 2024	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended September 30, 2023	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	2,230,446	560,086	1,083,407	2,109,389	557,137	1,020,265
Transportation and communications	27,937	6,409	11,287	24,589	6,688	11,219
Information	579	(1,062)	360	599	(1,132)	222
Professional and special services	513,330	156,198	222,133	544,285	153,585	212,057
Rentals	49,489	7,823	18,981	31,481	9,628	20,102
Purchased repair and maintenance	34,282	7,568	11,628	31,861	8,003	10,129
Utilities, materials and supplies	193,945	41,207	82,131	177,390	41,388	76,663
Acquisition of land, buildings and works*	204,314	37,018	55,157	140,758	42,634	52,741
Acquisition of machinery and equipment*	54,183	13,930	29,246	42,471	7,418	11,279
Transfer payments	1,620	662	662	1,020	451	563
Other subsidies and payments	105,807	51,726	67,131	213,810	44,671	57,590
<b>Total gross budgetary expenditures</b>	<b>3,415,932</b>	<b>881,565</b>	<b>1,582,123</b>	<b>3,317,653</b>	<b>870,471</b>	<b>1,472,830</b>
<b>Less revenues netted against expenditures</b>						
Vote-netted revenues	(6,093)	(2,762)	(2,762)	(3,943)	(1,946)	(1,946)
CORCAN	(117,552)	(39,061)	(67,101)	(113,809)	(34,599)	(60,137)
<b>Total revenues netted against expenditures</b>	<b>(123,645)</b>	<b>(41,823)</b>	<b>(69,863)</b>	<b>(117,752)</b>	<b>(36,545)</b>	<b>(62,083)</b>
<b>Total net budgetary expenditures</b>	<b>3,292,287</b>	<b>839,742</b>	<b>1,512,260</b>	<b>3,199,901</b>	<b>833,926</b>	<b>1,410,747</b>

Note: Numbers may not add up due to rounding.

\* These are mainly Vote 5 (Capital) expenditures.