



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

QUARTERLY FINANCIAL REPORT FOR THE THIRD QUARTER OF 2022-2023

AS OF DECEMBER 31, 2022 (UNAUDITED)

PRESENTED TO THE BOARD OF INTERNAL ECONOMY

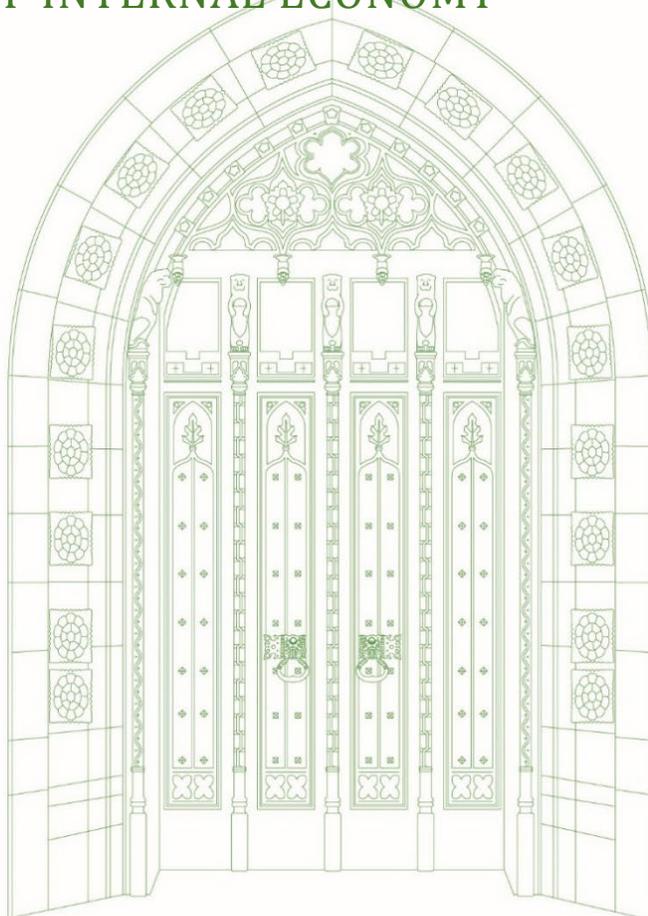


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EXECUTIVE SUMMARY

1.1 INTRODUCTION

The *Quarterly Financial Report* (QFR) is presented to the Board of Internal Economy (Board) in support of the effective oversight of public funds. It compares the year-to-date financial information of the current fiscal year with that of the previous fiscal year. This report has not been subject to an external audit or review.

1.2 BASIS OF PRESENTATION

This report has been prepared using an expenditure basis of accounting, which is consistent with the *Public Accounts of Canada*. The annual budget includes the House of Commons' Main Estimates authorities and other items approved by the Board for 2022-2023.

The accounting method used by the House Administration to prepare the QFR differs slightly from the standards set by the Canadian Institute of Chartered Accountants for the preparation of the year-end audited Financial Statements. The QFR excludes various non-cash expenditures recognized by generally accepted accounting principles (e.g. accommodations and services received without charge) that would be included in the accrual-based year-end Financial Statements.

1.3 CORPORATE RISKS AND CURRENT OPERATING ENVIRONMENT

Rising inflation and global supply chain issues, which emerged in the later part of the last fiscal year, are continuing to have financial impacts this year. In the final quarter, the Administration will continue to monitor and assess the impacts on operations and will mitigate risks through strong financial planning and management practices that support strategic priorities and effective resource utilization.

The COVID-19 pandemic continues to have an impact on operations as new ways of working are emerging and activity levels on Parliament Hill are increasing. Changes in spending trends are being observed as the year progresses due to ongoing adjustments and as new hybrid workplace models are adopted.

The House has continued to advance its service delivery model by:

- introducing the Client Care Team on April 1, 2022;
- developing the *Accessibility Plan 2023–2025* to ensure compliance with the *Accessible Canada Act* and the *Accessible Canada Regulations*; and
- implementing further security enhancements for Members.

1.4 HIGHLIGHTS OF THE YEAR-TO-DATE FINANCIAL RESULTS AS OF DECEMBER 31, 2022

The year-to-date net cost of operations totalled **\$391.6M**, an increase of **\$24.8M** (6.8%) compared to 2021-2022. This is mainly due to an increase in:

- travel as activity levels on Parliament Hill increased and public health restrictions were lifted;
- equipment costs and professional services for IT projects in support of Members and equipment life cycling;
- supplies mainly due to increased food costs within Food Services' operations as activity levels on Parliament Hill increased; and
- repairs and maintenance increased due to the Long-Term Vision and Plan (LTVP) for the parliamentary precinct.

The total net approved budget (authorities) for 2022-2023 is **\$581.4M**, which represents an increase of **\$20M** (3.6%) compared to last year. There were no changes to the approved budget since the last quarterly report of September 30, 2022.

The House continuously strives to minimize requests for incremental funding whenever possible, therefore promoting an efficient use of resources and avoiding the need to seek approval for additional resources.

COMPARITIVE FINANCIAL ANALYSIS

2.1 NET COST OF OPERATIONS

The year-to-date net cost of operations as of December 31, 2022, stood at **\$391.6M**, representing an increase of **\$24.8M** (6.8%) compared to the year-to-date expenditures of \$366.8M of last year (Table 1). This increase is mainly due to an increase in:

- **Transportation and Telecommunications:** Increase in travel expenditures for Members as activity levels on Parliament Hill increased and for committees, parliamentary associations and parliamentary exchanges following the lifting of COVID-19 public health restrictions.
- **Computers, Office Equipment, Furniture and Fixtures:** Increase mainly due to equipment delivery delays in the previous year caused by supply chain challenges; IT projects in support of Members and equipment life cycling; and investments in security enhancements for Members.
- **Utilities, Materials and Supplies:** Increase mainly in costs for food within Food Services operations and for paper within Printing and Mailing Services.
- **Professional and Special Services:** Increase mainly due to IT projects in support of Members; challenges in hiring staff with IT expertise and subject-matter experts for special functions; initiatives related to security enhancements for Members; and higher hospitality costs.
- **Repairs and Maintenance:** Increase in LTVP expenses for the parliamentary precinct and Members' office renovations.

Table 1. Year-over-year net cost of operations as of December 31, 2022

(in thousands of dollars)

Expenditures	2022-2023	2021-2022	Variance (\$)	Variance (%)
Transportation and Telecommunications	27,984	16,423	11,561	70.4
Computers, Office Equipment, Furniture and Fixtures	11,389	7,810	3,579	45.8
Utilities, Materials and Supplies	7,815	4,709	3,106	66.0
Professional and Special Services	14,323	11,622	2,702	23.2
Repairs and Maintenance	6,178	4,422	1,756	39.7
Salaries and Benefits	301,767	300,187	1,580	0.5
Rentals and Licences	14,480	13,718	762	5.6
Transfer Payments	978	436	543	124.6
Contributions – MPRA and MPRCA ¹ Accounts	12,403	11,903	500	4.2
Advertising and Printing Services	7,149	6,708	441	6.6
Other	811	1,063	(251)	(23.7)
Total Gross Operating Expenditures	405,279	379,000	26,279	6.9
Less Revenues	(13,682)	(12,175)	(1,507)	12.4
Total Net Cost of Operations	391,597	366,825	24,772	6.8

¹ Members of Parliament Retiring Allowances and Members of Parliament Retirement Compensation Arrangements

2.2 APPROVED ANNUAL BUDGET (AUTHORITIES)

The House's 2022-2023 net approved annual budget is **\$581.4M**, which represents an increase of **\$20M** (3.6%) compared to last year. This increase is mainly due to:

- the approved economic increases for certain Administration employees (\$6.4M);
- the cost of living increases for Members' and House Officers' budgets (\$6.3M);
- the Members' pension plans (\$3.6M); and
- other items detailed in Table 2.

The 2022-2023 net approved budget is comprised of the following items:

- \$563.0M from the Main Estimates; and
- \$18.4M from the Supplementary Estimates (B) – an operating budget carry-forward from 2021-2022.

The House continuously strives to minimize requests for incremental funding whenever possible, therefore promoting an efficient use of resources and avoiding the need to seek approval for additional resources.

IMPORTANT EVENTS AND CURRENT OPERATING ENVIRONMENT

IMPACTS ON SPENDING TRENDS

Inflation: Rising inflation started to impact expenditures during last year's third quarter and has impacted spending and supplier contract management more significantly in 2022-2023. This past December's adjusted consumer price index of 5.4%, while slightly lower than the peak rate earlier this fiscal year, remains significantly higher than in previous years. In June 2022, the Board allowed each Member to allocate a portion of their constituency office lease costs to a central budget, retroactive to April 1, 2022. This measure helped address rising costs of the real estate market and has given Members greater flexibility when serving constituents. The impact of rising inflation will continue to be monitored throughout the year.

Global supply chain challenges: Global supply issues, which emerged in the fall of 2021, caused delays in the delivery of various equipment and supplies. Some suppliers also increased pricing on scarce resources, leaving the House to pay more for goods and services and to spend more of its time and resources mitigating delays and managing suboptimal service delivery. As a result of these challenges, some expenditures planned for the latter part of 2021-2022 were deferred to 2022-2023 and have been included in the current year expenditures.

Staffing challenges: The House, like many organizations, is facing challenges with the recruitment and retention of skilled workforce given the tremendous competition across many sectors of the labour market. This could lead to project delays and unmet corporate priorities; the House is therefore mitigating this risk through strong succession planning strategies and more efficient staffing processes.

Transition to hybrid workplace: The COVID-19 pandemic continues to have an impact on House operations in 2022-2023. Activities have slowly resumed as the travel and social gathering restrictions imposed by public health authorities gradually eased throughout the year. The House has adapted to a new way of doing business that includes a hybrid workplace. The past two years have seen the House invest significantly in IT connectivity, IT security, as well as applications to facilitate ongoing hybrid proceedings for Members, including an electronic voting application. Parliamentary activities in the Chamber and in committees are continuing to take place in a hybrid format. Further considerations on this hybrid model continue to be evaluated and are expected to have ongoing impacts on operations and related costs. Pre-pandemic activity levels continue to emerge as the year progresses.

BUSINESS TRANSFORMATION

Client Care Team: The Client Care Team was introduced on April 1, 2022, as a means to centralize existing service centre teams and create a common integrated approach to client care processes and systems, thereby offering a seamless client experience to Members, their staff, and Administration employees.

Accessibility: The House of Commons officially published its [Accessibility Plan 2023–2025](#). Prepared in accordance with the [Accessible Canada Act](#), the plan outlines the steps the House will take to identify, remove and prevent barriers that limit the full and equal participation of persons with disabilities.

Security support enhancements: The implementation of security enhancements for Members, which began in 2020-2021, continued in 2022-2023.

Note: Figures in tables may not add up to total due to rounding.

Appendix – Additional Information

Table 2. Year-over-year changes to approved annual budget (authorities) as of December 31, 2022

(in millions of dollars)

Description	Amount
Economic increases approved for certain Administration employees	6.4
Cost of living increases for Members and House Officers, including Travel Status Expenses Account	6.3
Members' pension plans (MPRA and MPRCA accounts)	3.6
Information technology systems and facility assets (Long-Term Vision and Plan)	2.3
Employee benefit plans	2.2
Members' sessional allowance and additional salaries	1.1
47th Annual Session of the Assemblée parlementaire de la Francophonie	0.8
Support for increased committee activity levels and operations	0.8
Supplementary Estimates – change in net operating budget carry-forward	0.7
Enhancements to Members' security support – sunset of temporary funding approved in prior year	(4.2)
Total	20.0

Table 3. Year-over-year comparison of year-to-date net cost of operations by program for the period ended December 31, 2022

(in thousands of dollars)

	2022-2023 Members, House Officers and Committees, Parliamentary Associations and Parliamentary Exchanges	2022-2023 Centrally Funded**	2022-2023 House Administration	2021-2022 Members, House Officers and Committees, Parliamentary Associations and Parliamentary Exchanges	2021-2022 Centrally Funded**	2021-2022 House Administration
Salaries and Benefits*	147,400	4,440	149,927	142,430	7,366	150,391
Contributions – MPRA and MPRCA Accounts	12,403	-	-	11,903	-	-
Transportation and Telecommunications	13,925	11,810	2,249	7,419	7,155	1,849
Advertising and Printing Services	6,519	584	46	5,749	922	37
Professional and Special Services	3,561	1,949	8,813	2,467	2,255	6,900
Rentals and Licences	1,459	9,022	4,000	9,206	742	3,770
Repairs and Maintenance	435	327	5,416	118	500	3,804
Utilities, Materials and Supplies	1,294	3,228	3,293	880	2,163	1,666
Computers, Office Equipment, Furniture and Fixtures	1,048	1,599	8,744	804	1,357	5,649
Transfer Payments	937	-	41	405	-	30
Other	258	406	147	585	219	258
Total Gross Operating Expenditures	189,239	33,365	182,676	181,966	22,679	174,354
Less Revenues	(1,163)	(92)	(12,428)	(52)	(60)	(12,062)
Total Net Cost of Operations	188,076	33,273	170,248	181,914	22,619	162,292

*The sessional allowance and additional salaries for Members and House Officers are included in *Salaries and Benefits* under *Members, House Officers and Committees, Parliamentary Associations and Parliamentary Exchanges*.

**Centrally funded costs (including the associated costs for employee benefit plans) incurred and managed by the Administration to support Members and House Officers.

Table 4. Year-over-year comparison of year-to-date net cost of operations by type of funding for the period ended December 31, 2022

(in thousands of dollars)

Type	Description	2022-2023	2021-2022	Variance (\$)	Variance (%)
Statutory	Travel and Salaries – Members and House Officers (under the <i>Parliament of Canada Act</i>)	71,517	66,410	5,107	7.7
Statutory	Contributions – MPRA and MPRCA Accounts (under the <i>Members of Parliament Retiring Allowances Act</i>)	12,403	11,903	500	4.2
Statutory	Employee Benefit Plans – Members and House Officers, and House Administration	34,272	32,643	1,629	5.0
Statutory	Subtotal	118,192	110,956	7,236	6.5
Non-statutory	Members and House Officers	119,137	111,950	7,187	6.4
Non-statutory	Committees, Parliamentary Associations and Parliamentary Exchanges	3,794	514	3,280	637.7
Non-statutory	House Administration	150,474	143,405	7,069	4.9
Non-statutory	Subtotal	273,405	255,869	17,536	6.9
Total		391,597	366,825	24,772	6.8