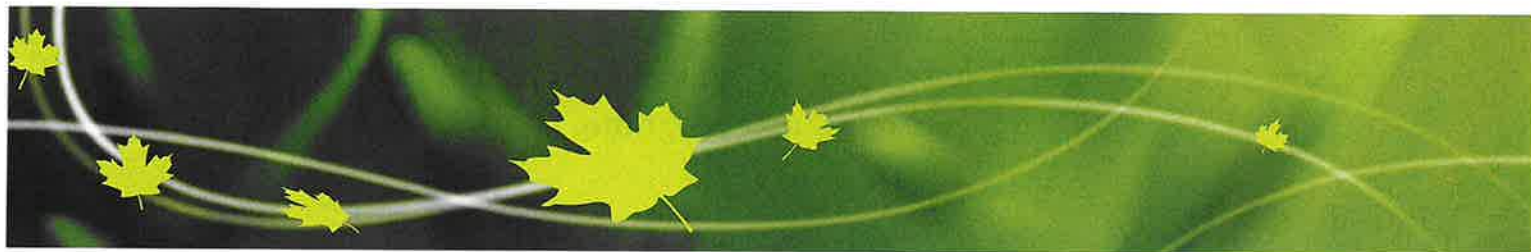




Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2018-19

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

This third 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 \(TB\)*](#). This quarterly report should be read in conjunction with the Main Estimates, Budget 2018 and Supplementary Estimates A.

This quarterly report has not been subject to an external audit or review.

Authority, Mandate and Program Activities

Environment and Climate Change Canada (ECCC) is the lead federal department for a wide range of environmental issues. The Department addresses these issues through various actions including the implementation of the Pan-Canadian Framework on Clean Growth and Climate Change; engaging with our strategic partners including provinces, territories and Indigenous peoples; monitoring; science-based research; policy and regulatory development; and, through the enforcement of environmental laws. The Department's programs focus on minimizing threats to Canadians and their environment from pollution; equipping Canadians to make informed decisions on weather, water and climate conditions; and conserving and restoring Canada's natural environment.

Under the Department of the Environment Act, the powers, duties and functions of the Minister of Environment and Climate Change extend to matters such as:

- the preservation and enhancement of the quality of the natural environment, including water, air and soil quality, and the coordination of the relevant policies and programs of the Government of Canada;
- renewable resources, including migratory birds and other non-domestic flora and fauna;
- meteorology; and,
- the enforcement of rules and regulations.

A summary description of the ECCC Raison d'être and program activities can be found in [*Part II of the Main Estimates*](#) and the [*Departmental Plan*](#).

Basis of presentation

This quarterly 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 Main Estimates, Supplementary Estimates and the newly created Budget Implementation Vote (BIV), centrally managed by Treasury Board (TB Vote 40) for the 2018-19 fiscal year. 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.

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.

Highlights of the fiscal quarter and the fiscal year-to-date (YTD) results

Authority analysis

The Statement of Authorities presented in this quarterly financial report (see Table 1) reflects the authorities that were approved as of December 31, 2018. The funding available for use includes the 2018-19 Main Estimates, the newly created BIV, centrally managed by Treasury Board (TB Vote 40), the Supplementary Estimates "A", the Operating and Capital budget carry-forwards, and the compensation allocations from Treasury Board Secretariat (TBS) for adjustments made to terms and conditions of service employment of the federal public administration for collective agreements. Authorities for Supplementary Estimates "B" will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2019 is higher by approximately \$537.5M (\$1,659.5M - \$1,122.0M) when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$23.4M (\$841.1M - \$817.7M), in Vote 5 – Capital of \$7.4M (\$92.0M - \$84.6M), in Vote 10 – Grants and Contributions of \$501.9M (\$633.6M - \$131.7M) and in Budgetary Statutory authorities of \$4.7M (\$92.7M - \$88.0M).

Vote 1 – Net Operating authorities

The \$23.4M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$28.7M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;
- \$16.4M increase related to the Federal Contaminated Sites Action Plan;
- \$11.3M increase related to initiatives supporting Clean Growth and Climate Change;
- \$7.3M increase for the Pacific Environment Center Arbitration Award and Rent;
- \$7.1M increase related to the impact assessment and regulatory processes;
- \$4.3M increase related to an augmentation in the amount carried forward from the previous year to continue work on specific projects;
- \$3.9M increase related to the carbon pollution pricing system;
- \$2.3M increase related to initiatives associated with the revitalization of meteorological services;
- \$2.2M increase related to the Oceans Protection Plan;
- \$1.6M increase related to Protecting Marine Life;
- \$1.0M increase related to activities Addressing Air Pollution;
- \$0.9M increase related to Great Lakes Ecosystem Initiative; and
- \$0.6M increase for various other small initiatives;

offset by:

- \$30.0M decrease related to the compensation allocations from Treasury Board Secretariat related to the new collective agreements;
- \$15.2M decrease related to Contaminated Sediment Remediation Projects;
- \$8.0M decrease related to the *Species at Risk Act*;
- \$5.5M internal reallocation of resources to support Grants and Contributions Initiatives;
- \$3.1M decrease related to the Federal Infrastructure Initiative; and
- \$2.4M decrease related to the World Class Oil Spills Regime.

Vote 5 – Capital authorities

The \$7.4M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$12.2M increase related to an augmentation in the amount carried forward from the previous year to continue work on specific projects;
- \$9.8M increase related to initiatives associated with the revitalization of meteorological services; and
- \$0.9M increase related to initiatives supporting Clean Growth and Climate Change;
- \$0.7M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;

offset by:

- \$9.1M decrease related to the Federal Infrastructure Initiative;
- \$4.2M decrease related to the World Class Oil Spills Regime;

- \$1.8M decrease related to the National Conservation Plan; and
- \$1.1M decrease for various other small initiatives.

Vote 10 – Grants and contributions authorities

The \$501.9M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$463.7M increase related to the Low Carbon Economy Fund;
- \$25.5M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;
- \$6.5M increase related to initiatives supporting Clean Growth and Climate Change;
- \$5.5M internal reallocation of resources to support Grants and Contributions Initiatives;
- \$3.2M increase related to Great Lakes Ecosystem Initiative;
- \$1.0M increase related to the impact assessment and regulatory processes; and
- \$0.5M increase for various other small initiatives;

offset by:

- \$4.0M decrease related to the *Species at Risk Act*.

Statutory authorities

The \$4.7M increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$4.7M increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by authority

Details of expenditures by authority are presented in Tables 1 and 2.

In the third quarter of 2018-19, total budgetary expenditures were \$278.3M compared to \$281.6M reported for the same period in 2017-18, resulting in a decrease of \$3.3M or 1.2%. Year to date expenditures as of December 31, 2018 are \$740.5M which represents an increase of \$1.1M or 0.1% (\$740.5M - \$739.4M) compared to the same period in 2017-18.

Vote 1 – Net Operating authorities used during the third quarter of 2018-19 totalled \$195.1M, which represents a decrease of \$10.1M or 4.9% (\$195.1M - \$205.2M) compared to the same quarter in 2017-18. This variance is mainly due to a one-time arbitration award paid for the Pacific Environment Centre lease agreement in fiscal year 2017-18 offset by the increase of full-time equivalent employees mainly related to Protecting Canada's Nature, Parks & Wilds Spaces and Oceans Protection Plan Initiatives. Year to date expenditures also decreased by \$16.7M or 2.9% (\$561.3M - \$578.0M).

This variance is mainly due to a one-time arbitration award paid for the Pacific Environment Centre lease agreement in fiscal year 2017-18.

Vote 5 – Capital authorities used during the third quarter of 2018-19 totalled \$23.5M, which represents an increase of \$5.2M or 28.4% (\$23.5M - \$18.3M) compared to the same quarter in 2017-18. Year to date expenditures have also increased by \$10.0M or 31.8% (\$41.4M - \$31.4M) compared to the same period last year. Both increases are mainly attributable to an increase in engineering consulting fees due to the recapitalizing of the Eureka weather station runway project being put on hold in fiscal year 2017-18, offset by a decrease related to the sunseting of 2016 Federal Infrastructure Initiative.

Vote 10 – Grants and Contributions authorities used during the third quarter of 2018-19 totalled \$38.0M, which represents an increase of \$1.4M or 3.8% (\$38.0M - \$36.6M) compared to the same quarter in 2017-18. Year to date expenditures have increased by \$6.8M or 10.3% (\$72.8M - \$66.0M) compared to the same period last year. Both variances are mainly due to new grants and contributions payments for the Assessed Contribution to the Commission for Environmental Cooperation (CEC) and Freshwater-Great lakes & lake Winnipeg, the timing of payments submitted to International Climate Financing, to Science Horizons Youth Internship and the Natural Areas Conservation Program.

Statutory authorities used during the third quarter of 2018-19 totalled \$21.6M, which represents an increase of \$0.5M or 2.4% (\$21.6M - \$21.1M) compared to the same quarter in 2017-18. Year to date expenditures have increased by \$1.5M or 2.4% (\$64.8M - \$63.3M). This variance is mainly due to an increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by Standard Object

Details of expenditures by Standard Object are presented in Tables 3 and 4.

Personnel expenditures have increased by \$6.0M or 3.5% (\$177.2M - \$171.2M) compared to the same quarter last year. This variance is mainly due to the increase of full-time equivalent employees mainly related to Protecting Canada's Nature, Parks & Wilds Spaces and Oceans Protection Plan Initiatives. Year to date personnel expenditures have decreased by \$1.7M or 0.3% (\$516.8M - \$518.5M) compared to the previous year. This variance is mainly due to the disbursements of salary retroactive payments to indeterminate employees in 2017-18 following the ratification and signing of some collective agreements.

Quarterly and year to date transportation and communication expenditures have increased respectively by \$2.3M or 26.4% (\$11.0M - \$8.7M) and \$4.7M or 21.4% (\$26.6M - \$21.9M) compared to the same quarter last year. Both variances are mainly due to an increase for transportation of products and samples and an increase in travel expenditures by public servant to support ECCC core mandate and stakeholder engagement.

ENVIRONMENT AND CLIMATE CHANGE CANADA

Quarterly Financial Report

For the quarter ended December 31, 2018

Professional and special services expenditures have increased by \$4.0M or 9.2% (\$47.6M - \$43.6M) compared to the same quarter last year. This variance is mainly due to the timing of payments submitted for legal services provided by Justice Canada. Year to date professional and special services expenditures have increase by \$13.8M or 16.1% (\$99.7M - \$85.9M) compared to the previous year. This variance is mainly due to the timing of payments submitted for legal services provided by Justice Canada and engineering consulting fees for the radar replacement project.

Quarterly and year to date rentals have decreased respectively by \$18.8M or 79.0% (\$5.0M - \$23.8M) and \$16.4M or 40.5% (\$24.1M - \$40.5M) compared to the same quarter last year. Both variances are mainly due to a one-time arbitration award paid for the Pacific Environment Centre lease agreement in fiscal year 2017-18.

Quarterly and year to date repair and maintenance expenditures have decreased respectively by \$1.0M or 23.3% (\$3.3M - \$4.3M) and \$3.8M or 31.1% (\$8.4M - \$12.2M) compared to the same quarter last year. Both variances are mainly attributable to the sunsetting of 2016 Federal Infrastructure Initiative.

Quarterly and year to date acquisition of machinery and equipment expenditures have increased respectively by \$1.9M or 42.2% (\$6.4M - \$4.5M) and \$1.1M or 11.3% (\$10.8M - \$9.7M) compared to the same quarter last year. Both variances are mainly attributable to an increase in purchases and the timing of payments.

Quarterly and year to date transfer payments expenditures have increased respectively by \$1.4M or 3.8% (\$38.0M - \$36.6M) and \$6.8M or 10.3% (\$72.8M - \$66.0M) compared to the same quarter last year. Both variances are mainly due to new grants and contributions payments for Assessed Commission for Environmental and Freshwater-Great lakes & lake Winnipeg, the timing of payments submitted to International Climate Financing, to Science Horizons Youth Internship and the Natural Areas Conservation Program.

Revenues collected have decreased by \$0.2M or 1.0% (\$20.2M - \$20.4M) compared to the same quarter last year. Year to date collections have increased by \$4.4M or 9.8% (\$49.3M - \$44.9M) compared to the previous year. This variance is mainly due to an increase in activities related to the Oil Sands Monitoring Program.

Risks and Uncertainties

ECCC is primarily funded through voted parliamentary spending authorities for operating expenditures, capital expenditures, and transfer payments as well as statutory authorities. The Department is also partially funded through vote-netted revenues. ECCC's planned spending reflects approved funding by Treasury Board and Parliament.

ECCC's ability to deliver results for Canadians is influenced by a wide range of internal and external factors such as the increasing frequency of severe weather events, and the expectation to consult and collaborate with federal, provincial, territorial, Indigenous, and other partners to address common environmental challenges. In its financial management, the Department considers these factors and their potential impact related to the department's financial plan. For example, Budget 2018 provided funding of \$130.3 million over five years to complete the modernization of Canada's weather forecast and severe weather warning systems, and to revitalize water monitoring stations and improve water forecasts. In 2018–19, the Department continues to work to build sustainable populations of species at risk, support and enhance biodiversity across Canada, and expand Canada's National Wildlife Areas, Migratory Bird Sanctuaries, and protected areas. This work is made possible due to the historic investment of \$1.3 billion over five years in nature conservation announced in Budget 2018.

This additional funding represents new financial opportunities for ECCC in delivering on departmental expected outcomes. To ensure effective program delivery, ECCC will secure financial authorities in a timely manner so that program areas are able to quickly ramp up to meet new requirements, and will continue to conduct program monitoring and proactive financial risk management and planning as part of ECCC's business planning and reporting processes.

Budget 2017 provided significant funding to ECCC in support of various initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change, including the Low Carbon Economy Fund (LCEF). The total available LCEF funding for use in 2018-19 is \$473.9M and ECCC anticipates a lapse of Grants and Contributions authorities due to uncertainties regarding provincial/territorial participation. ECCC will work with central agencies to ensure the availability of these funds in future years.

The Government of Canada has implemented a pay system as part of the pay transformation initiative. The implementation of this system has resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of compensating controls to monitor this issue and will continue to monitor and report on the situation in close consultation with Public Services and Procurement Canada and Treasury Board Secretariat.

Significant changes in relation to operations, personnel and programs

No major changes in relation to operations, personnel and programs occurred during the third quarter.

Approved by:



Stephen Lucas,
Deputy Minister

Gatineau, Canada

Date:

26/2/2019



FEB 25 2019

Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date:

Statement of Authorities (unaudited) – Table 1

Fiscal year 2018-19 (in thousands of dollars)

	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year to date used at quarter end
Vote 1 – Net Operating expenditures	841,129	195,105	561,295
Vote 5 – Capital expenditures	92,041	23,542	41,430
Vote 10 – Grants and contributions	633,640	38,026	72,795
Budgetary Statutory – Employee Benefit Plans	92,642	21,590	64,771
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	86	22	65
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	8	158
Total Budgetary authorities	1,659,538	278,293	740,514
Non-budgetary authorities	-	-	-
Total authorities	1,659,538	278,293	740,514

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote, the Supplementary Estimates “A”, the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements. Authorities for Supplementary Estimates “B” will follow later this year.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2017-18 (in thousands of dollars)

	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter end
Vote 1 – Net Operating expenditures	817,744	205,239	578,024
Vote 5 – Capital expenditures	84,575	18,314	31,376
Vote 10 – Grants and contributions	131,708	36,600	65,970
Budgetary Statutory – Employee Benefit Plans	87,934	21,092	63,275
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	63
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	380	700
Total Budgetary authorities	1,122,045	281,646	739,408
Non-budgetary authorities	-	-	-
Total authorities	1,122,045	281,646	739,408

* The funding available for use includes the 2017-18 Main Estimates, the Supplementary Estimates “A” and “B”, the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements. Authorities for Supplementary Estimates “C” followed later that year.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 3

Fiscal year 2018-19 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended December 31, 2018	Year to date used at quarter end
Expenditures:			
Personnel	695,896	177,180	516,842
Transportation and communications	43,322	11,026	26,563
Information	6,077	1,148	2,363
Professional and special services	184,864	47,586	99,693
Rentals	37,449	5,025	24,131
Repair and maintenance	24,515	3,272	8,447
Utilities, materials and supplies	53,104	7,528	21,687
Acquisition of land, buildings and works	1,251	32	72
Acquisition of machinery and equipment	56,880	6,422	10,800
Transfer payments	633,640	38,026	72,795
Other subsidies and payments	6,359	1,297	6,380
Total gross budgetary expenditures	1,743,357	298,542	789,773
Less Revenues netted against expenditures:			
Revenues	83,819	20,249	49,259
Total Revenues netted against expenditures:	83,819	20,249	49,259
Total net budgetary expenditures	1,659,538	278,293	740,514

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote, the Supplementary Estimates "A", the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements. Authorities for Supplementary Estimates "B" will follow later this year.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 4

Fiscal year 2017-18 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended December 31, 2017	Year to date used at quarter end
Expenditures:			
Personnel	693,338	171,204	518,451
Transportation and communications	39,580	8,656	21,867
Information	3,621	1,397	2,544
Professional and special services	178,753	43,569	85,905
Rentals	34,626	23,821	40,483
Repair and maintenance	17,002	4,336	12,230
Utilities, materials and supplies	50,914	7,243	20,202
Acquisition of land, buildings and works	1,492	79	161
Acquisition of machinery and equipment	45,628	4,548	9,652
Transfer payments	131,708	36,599	65,970
Other subsidies and payments	4,915	585	6,837
Total gross budgetary expenditures	1,201, 577	302,037	784,302
Less Revenues netted against expenditures:			
Revenues	79,532	20,391	44,894
Total Revenues netted against expenditures:	79,532	20,391	44,894
Total net budgetary expenditures	1,122,045	281,646	739,408

* The funding available for use includes the 2017-18 Main Estimates, the Supplementary Estimates "A" and "B", the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements. Authorities for Supplementary Estimates "C" followed later that year.

