



# DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2021-22



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

### **Introduction**

This first 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 2021-22 Main Estimates.

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, including taking action on clean growth and climate change. The Department is also engaged in activities aimed at preventing and managing pollution, conserving nature, and predicting weather and environmental conditions. 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 program focus reflects the interdependence between environmental sustainability and economic well-being.

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
- the enforcement of rules and regulations

A summary description of the ECCC Raison d'être and core responsibilities 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 for the 2021-22 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 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 June 30, 2021.

ECCC's total available authorities for use for the year ending March 31, 2022 are higher by approximately \$259.8M (\$1,798.3M - \$1,538.5M)<sup>1</sup> when compared to the same quarter of the previous year. This increase is mainly due to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received in the first quarter of 2021-22, whereas only 9/12ths of the Main Estimates and no Supplementary Estimates were received in the first quarter of 2020-21.

The increase of \$259.8M includes an increase in Vote 1 – Net Operating of \$261.3M (\$905.0M - \$643.7M), in Vote 5 – Capital of \$38.1M (\$105.5M - \$67.4M), in Vote 10 – Grants and Contributions of \$63.4M (\$685.8 - \$622.4M) and a decrease in Budgetary Statutory authorities of \$103.0M (\$102.0M - \$205.0M).

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<sup>1</sup> See also Statement of Authorities – Tables 1 and 2.

***Vote 1 – Net Operating authorities***

The \$261.3M increase compared to last fiscal year in the net Operating authorities is mainly due to an increase of \$230.4M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received in the first quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received in the first quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as the Federal Contaminated Sites Action Plan, Modernize the Enforcement of Environmental Laws and Regulations and Protecting Canada's Nature, Parks and Wild Spaces.

***Vote 5 – Capital authorities***

The \$38.1M increase compared to last fiscal year in the Capital authorities is mainly due to an increase of \$37.2M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received in the first quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received in the first quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Strong Arctic and Northern Communities, Revitalization of Canada's Weather Services and Retrofit of the Global Atmosphere Watch Observatory in Alert, Nunavut.

***Vote 10 – Grants and contributions authorities***

The \$63.4M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to an increase of \$62.1M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received in the first quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received in the first quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Protecting Canada's Nature, Parks and Wild Spaces, Clean Growth and Climate Change and the Low Carbon Economy Fund.

***Statutory authorities***

The \$103.0M decrease compared to last fiscal year in the budgetary statutory authorities is mainly due to the following:

- \$109.1M decrease in Statutory Grants and Contributions related to the Climate Action Incentive Fund; and
- \$6.1M increase related to the contributions to Employee Benefit Plans.

### **Expenditures analysis by vote**

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

In the first quarter of 2021-22, total budgetary expenditures were \$260.9M compared to \$259.6M reported for the same period in 2020-21, resulting in an increase of \$1.3M.

Vote 1 – Net Operating authorities used during the first quarter of 2021-22 totalled \$201.8M, which represents an increase of \$7.7M (\$201.8M - \$194.1M) compared to the same period last year. These variances are mainly due to an increase in personnel and professional and special services offset by a decrease in rentals and revenue.

Vote 5 – Capital authorities used during the first quarter of 2021-22 totalled \$7.5M, which represents an increase of \$2.4M (\$7.5M – \$5.1M) compared to the same period last year. These variances are mainly due to an increase in engineering consulting fees related to initiatives associated with the revitalization of meteorological services.

Vote 10 – Grants and Contributions authorities used during the first quarter of 2021-22 totalled \$27.4M, which represents a decrease of \$9.1M (\$27.4M - \$36.5M) compared to the same period last year. These variances are mainly due to the decrease in funding for initiatives such as Low Carbon Economy Fund and Protecting Canada’s Nature, Parks and Wild Spaces as well as to the timing of payments submitted for initiatives such as Clean Growth and Climate Change and Youth Employment and Skills Strategy.

Budgetary Statutory - Statutory authorities used during the first quarter of 2021-22 totalled \$24.2M, which represents an increase of \$0.3M (\$24.2M - \$23.9M) compared to the same period last year.

### **Expenditures analysis by Standard Object**

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

Personnel expenditures have increased by \$10.9M (\$201.6M - \$190.7M) compared to the same period last year. The variance is mainly due to an increase in salary wages due to renewed collective agreements and to disbursements of signing bonus following the ratification and signing of some collective agreements.

Transportation and communications expenditures have increased by \$1.1M (\$2.0M - \$0.9M) compared to the same period last year. The variance is mainly due to an increase in telecommunication expenditures related to the payment of Microsoft 365 licenses as well as a slight increase in domestic travel expenditures.

Professional and special services expenditures have increased by \$6.5M (\$24.0M - \$17.5M) compared to the same period last year. The variance is mainly due to an increase in engineering consulting fees related to initiatives associated with the revitalization of meteorological services, in cloud services related to Microsoft 365 licenses as well as information technology consulting fees.

Rentals expenditures have decreased by \$12.4M (\$4.0M - \$16.4M) compared to the same period last year. The variance is mainly due to timing of the Squamish Nation's lease payment for the Pacific Environmental Centre (PEC), which was paid in late March compared to April in previous years.

Utilities, Materials and Supplies have increased by \$1.0M (\$5.1M - \$4.1M) compared to the same period last year. The variance is mainly due to timing in payments of meteorological supplies.

Transfer payments expenditures have decreased by \$9.1M (\$27.4M - \$36.5M) compared to the same quarter last year. The variance is mainly due to the fluctuations in funding available for initiatives such as Low Carbon Economy Fund and Protecting Canada's Nature, Parks and Wild Spaces as well as to the timing of payments submitted for initiatives such as Clean Growth and Climate Change and Youth Employment and Skills Strategy.

Revenue collections have decreased by \$2.0M (\$7.8M - \$9.8M) compared to the same period last year. The variance is mainly due to a decrease in activities related to the Oil Sands Monitoring Program offset by the timing of collections for the Ocean Disposals at Sea Program and services provided to the Canadian Coast Guard.

## **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.

A wide range of internal and external factors have the potential to affect ECCC's ability to deliver results for Canadians, including the increasing frequency of severe weather events and associated impacts on infrastructure and fieldwork, 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 and addresses these factors and their potential impact related to the department's financial plan.

The Department's ability to deliver results for Canadians on clean growth and climate change required extensive collaboration with federal, provincial, territorial, Indigenous, and international partners, as well as the private and non-profit sectors and civil society, to address common uncertainties in this area. In particular, the Department continued implementing and building on the Pan-Canadian Framework on Clean Growth and Climate Change (PCF), as well as supporting strengthened Canada's climate plan engagement efforts as part of A Healthy Environment and a Healthy Economy.

To prevent and manage pollution across Canada, the Department addressed uncertainties regarding the development and implementation of environmental standards, guidelines, regulations and other risk management instruments to reduce releases and monitor levels of contaminants in air, water and soil, and to promote and enforce compliance with environmental laws and regulations. ECCC reviewed the ambient air quality standards for fine particulate matter, and proposed the establishment of more

stringent standards. The Department finalized national regulations that will reduce pollution from petroleum and petrochemical facilities across the country.

The effective management of information assets is critical to the Department's ability to conserve nature. COVID-19 impeded collaboration with external partners, the technical work needed to monitor wildlife populations, and the establishment of protected and conserved areas. A partnership has been built by the Canada Nature Fund to progress toward achieving Canada's biodiversity targets for conserving land and inland waters, and advance the protection and recovery of species at risk. ECCC continued to leverage its scientific data and Indigenous knowledge systems, and to adapt its approaches and programming to climate change and enforcement of legislation that facilitates conservation. ECCC has been proceeding with the implementation of the distinctions-based Indigenous Guardians Pilot Program with Indigenous peoples.

The Department relies on its capital infrastructure to achieve its mandate and deliver mission-critical services. This infrastructure required maintenance and ongoing investment to prevent rust-out and to ensure functionality in the face of changing and increasingly complex needs. Seven new radar systems, installed in several communities across Canada, used the most modern technology available and provided more detailed information on precipitation type and storm structure, and allowed ECCC to give Canadians greater lead-time to protect themselves and their property.

Due to the COVID-19 pandemic, ECCC has prioritized the support of critical services, while a large proportion of its employees have been asked to work remotely. ECCC has reviewed its policies and procedures to determine and implement necessary adjustments to support the delivery of services. A governance structure has been implemented to manage the departmental response including the ongoing prioritization of deliverables. This has allowed the Department to adjust quickly to new operational realities as the COVID-19 pandemic continues to evolve.

ECCC will continue to closely monitor its operating environment in order to reallocate resources to key priorities and ensure that resources are being managed effectively to deliver results.

## Significant changes in relation to operations, personnel and programs

The following major changes in relations to operations, personnel and programs occurred during or in close proximity to the first quarter:

- On March 15, 2021, Ms. Linda Drainville was appointed Chief Financial Officer and Assistant Deputy Minister of Corporate Services and Finance.

Approved by:

(the original version was signed by)

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**T. Christine Hogan,**  
Deputy Minister  
Gatineau, Canada  
Date: August 18, 2021

(the original version was signed by)

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**Linda Drainville,**  
Chief Financial Officer  
Gatineau, Canada  
Date: July 29, 2021



**Statement of Authorities (unaudited) – Table 1**

Fiscal year 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year to date used at quarter end
Vote 1 – Net Operating expenditures	904,989	201,788	201,788
Vote 5 – Capital expenditures	105,551	7,481	7,481
Vote 10 – Grants and contributions	685,762	27,366	27,366
Budgetary Statutory – Employee Benefit Plans	101,864	24,193	24,193
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	91	23	23
<b>Total Budgetary authorities</b>	<b>1,798,257</b>	<b>260,851</b>	<b>260,851</b>
<b>Non-Budgetary authorities</b>	-	-	-
<b>Total authorities</b>	<b>1,798,257</b>	<b>260,851</b>	<b>260,851</b>

\* The funding available for use includes the 2021-22 Main Estimates and the Supplementary Estimates A.

**Statement of Authorities (unaudited) – Table 2**

Fiscal year 2020-21 (in thousands of dollars)

	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year to date used at quarter end
Vote 1 – Net Operating expenditures	643,736	194,076	194,076
Vote 5 – Capital expenditures	67,345	5,100	5,100
Vote 10 – Grants and contributions	622,411	36,464	36,464
Budgetary Statutory – Employee Benefit Plans	95,747	23,937	23,937
Budgetary Statutory – Climate Action Support Payments (Climate Action Incentive Fund)	109,148	0	0
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	89	22	22
<b>Total Budgetary authorities</b>	<b>1,538,476</b>	<b>259,599</b>	<b>259,599</b>
<b>Non-Budgetary authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total authorities</b>	<b>1,538,476</b>	<b>259,599</b>	<b>259,599</b>

\* The funding available for ECCC use reflects 9/12ths of the 2020-21 Main Estimates. Full supply for the 2020-21 Main Estimates was received in December 2020.

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

Fiscal year 2021-22 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended June 30, 2021	Year to date used at quarter end
Expenditures:			
Personnel	774,676	201,580	201,580
Transportation and communications	45,591	1,993	1,993
Information	8,154	762	762
Professional and special services	221,976	24,048	24,048
Rentals	32,246	3,950	3,950
Repair and maintenance	18,400	1,479	1,479
Utilities, materials and supplies	41,152	5,121	5,121
Acquisition of land, buildings and works	1,855	79	79
Acquisition of machinery and equipment	36,272	2,200	2,200
Transfer payments	685,762	27,366	27,366
Public debt charges	509	0	0
Other subsidies and payments	7,423	60	60
<b>Total gross budgetary expenditures</b>	<b>1,874,016</b>	<b>268,638</b>	<b>268,638</b>
<b>Less Revenues netted against expenditures:</b>			
Revenues	75,759	7,787	7,787
<b>Total Revenues netted against expenditures:</b>	<b>75,759</b>	<b>7,787</b>	<b>7,787</b>
<b>Total net budgetary expenditures</b>	<b>1,798,257</b>	<b>260,851</b>	<b>260,851</b>

\* The funding available for use includes the 2021-22 Main Estimates and the Supplementary Estimates A.

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

Fiscal year 2020-21 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2021*	Expended during the quarter ended June 30, 2020	Year to date used at quarter end
<b>Expenditures:</b>			
Personnel	591,984	190,740	190,740
Transportation and communications	34,753	871	871
Information	5,063	487	487
Professional and special services	147,788	17,546	17,546
Rentals	25,604	16,379	16,379
Repair and maintenance	13,755	776	776
Utilities, materials and supplies	32,373	4,150	4,150
Acquisition of land, buildings and works	793	18	18
Acquisition of machinery and equipment	29,533	2,003	2,003
Transfer payments	731,559	36,464	36,464
Public debt charges	419	0	0
Other subsidies and payments	5,619	-67	-67
<b>Total gross budgetary expenditures</b>	<b>1,619,243</b>	<b>269,367</b>	<b>269,367</b>
<b>Less Revenues netted against expenditures:</b>			
Revenues	80,767	9,768	9,768
<b>Total Revenues netted against expenditures:</b>	<b>80,767</b>	<b>9,768</b>	<b>9,768</b>
<b>Total net budgetary expenditures</b>	<b>1,538,476</b>	<b>259,599</b>	<b>259,599</b>

\* The funding available for ECCC use reflects 9/12ths of the 2020-21 Main Estimates. Full supply for the 2020-21 Main Estimates was received in December 2020.