



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2022-23



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

Introduction

This second 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 2022-23 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 and regulations.

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 ECCC's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2022-23 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 September 30, 2022. The funding available for use includes the 2022-23 Main Estimates and the Operating and Capital Budget Carry-Forwards.

ECCC's total available authorities for use for the year ending March 31, 2023, are higher by approximately \$196.2M (\$2,040.7M - \$1,844.5M)¹ when compared to the same quarter of the previous year. This increase of \$196.2M includes an increase in Net Operating Authorities (Vote 1) of \$84.2M (\$1,016.7M - \$932.5M), Capital Authorities (Vote 5) of \$21.3M (\$145.5M - \$124.2M), Grants and Contribution Authorities (Vote 10) of \$84.5M (\$770.3M - \$685.8M) and Budgetary Statutory Authorities of \$6.2M (\$108.2M - \$102.0M).

Vote 1 – Net Operating Authorities

The \$84.2M increase compared to the last fiscal year in the net Operating Authorities is mainly due to the following:

¹ See also Statement of Authorities – Tables 1 and 2.

- \$40.3M increase to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;
- \$20.4M increase related to a higher amount carried forward from the previous year to continue work on specific projects;
- \$9.7M increase related to carbon pollution pricing proceeds return;
- \$9.4M increase to reduce greenhouse gas emissions in the transportation and methane waste sectors;
- \$7.7M increase to support climate change policy capacity;
- \$5.4M increase related to the compensation allocations from Treasury Board for the new collective agreements;
- \$5.0M increase related to strong arctic and northern communities;
- \$4.8M increase to establish the Canada Water Agency Transition Office;
- \$3.6M increase to implement natural climate solutions in Canada;
- \$3.4M increase related to the Federal Contaminated Sites Action Plan;
- \$3.4M increase related to Climate Lens initiative;
- \$3.3M increase related to wildfire and flood preparedness and response capacity;
- \$3.1M increase to implement Canada's new marine conservation targets;
- \$3.1M increase to address imminent threats to wood bison herds;
- \$2.9M increase to modernize the enforcement of environmental laws and regulations;
- \$2.9M increase related to the Wood Buffalo National Park World Heritage Site Action Plan;
- \$0.2M increase related to various other initiatives.

Offset by:

- \$8.2M decrease related to Great Lakes ecosystem initiatives;
- \$6.5M decrease related to travel allocations;
- \$6.3M decrease related to the Low Carbon Economy Fund (LCEF);
- \$6.2M decrease related to the National Zero Plastic Waste Strategy;
- \$5.1M decrease related to the Oceans Protection Plan;
- \$4.5M decrease related to a transfer of on-going funds to Shared Services Canada to further centralize Enterprise Services given the move to IT standardization of user-based services;
- \$4.2M decrease to develop the federal carbon pollution pricing system;
- \$3.4M decrease to adapt Canada's weather and water services to climate change.

Vote 5 – Capital Authorities

The \$21.3M increase compared to the last fiscal year in the Capital Authorities is mainly due to the following:

- \$6.3M increase related to a higher amount carried forward from the previous year to continue work on specific projects;

- \$4.7M increase to safeguard the continuous operation of the Dr. Neil Trivett Global Atmosphere Watch Observatory in Alert, Nunavut;
- \$4.2M increase to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;
- \$2.1M increase related to strong arctic and northern communities;
- \$2.0M increase to reduce greenhouse gas emissions in the transportation and methane waste sectors;
- \$1.4M increase related to initiatives associated with the revitalization of meteorological services;
- \$1.3M increase to address Canadian data receiving infrastructure for the Space-Based Earth Observation Network.

Offset by:

- \$0.7M decrease related to various other initiatives.

Vote 10 – Grants and Contributions Authorities

The \$84.5M increase compared to the last fiscal year in the Grants and Contributions Authorities is mainly due to the following:

- \$185.7M increase to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;
- \$28.0M increase related to Canada's International Climate Finance;
- \$25.3M increase to implement natural climate solutions in Canada.

Offset by:

- \$130.2M decrease related to the Low Carbon Economy Fund (LCEF);
- \$23.7M decrease related to the Youth Employment and Skills Strategy (YESS);
- \$0.6M decrease related to various other initiatives.

Statutory Authorities

The \$6.2M increase compared to the last fiscal year in the Budgetary Statutory Authorities is mainly due to the following:

- \$6.2M 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 second quarter of 2022-23, total budgetary expenditures were \$330.5M compared to \$279.8M reported for the same period in 2021-22, resulting in an increase of \$50.7M. Year-to-date expenditures as of September 30, 2022, were \$612.3M, which represents an increase of \$71.7M (\$612.3M - \$540.6M) compared to the same period in 2021-22.

Vote 1 – Net Operating Authorities used during the second quarter of 2022-23 totalled \$238.2M, which represents an increase of \$14.8M (\$238.2M - \$223.5M) compared to the same period last year. Year-to-date expenditures as of September 30, 2022, were \$452.2M, which represents an increase of \$27.0M (\$452.2M - \$425.2M) compared to the same period last year. These variances are mainly due to an increase in personnel, transportation and communication, professional and special services and utilities, materials and supplies.

Vote 5 – Capital Authorities used during the second quarter of 2022-23 totalled \$21.1M, which represents an increase of \$3.4M (\$21.1M – \$17.7M) compared to the same period last year. Year-to-date expenditures as of September 30, 2022, are \$27.7M, which represents an increase of \$2.5M (\$27.7M - \$25.2M) compared to the same period last year. The quarterly variance is mainly due to an increase in professional and special services, while the year-to-date variance is mainly explained by an increase in the acquisition of machinery and equipment.

Vote 10 – Grants and Contributions Authorities used during the second quarter of 2022-23 totalled \$44.1M, which represents an increase of \$29.7M (\$44.1M - \$14.4M) compared to the same period last year. Year-to-date expenditures as of September 30, 2022, are \$77.8M, which represents an increase of \$36.0M (\$77.8M - \$41.8M) compared to the same period last year. The quarterly variance is mainly due to the timing of payment submitted for initiatives related to Protecting Canada’s Nature, Parks and Wild Spaces and to Youth Employment and Skills Strategy and to an increase in funding available for initiatives related to conserving Canada’s land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature. The year-to-date variance is also due to an increase in funding available for initiatives related to Canada’s International Climate Finance and to implementing natural climate solutions in Canada.

Budgetary Statutory Authorities – Budgetary Statutory Authorities used during the second quarter of 2022-23 totalled \$27.0M, which represents an increase of \$2.8M (\$27.0M - \$24.2M) compared to the same period last year. Year-to-date expenditures as of September 30, 2022, are \$54.6M, which represents an increase of \$6.2M (\$54.6M - \$48.4M) compared to the same period last year. Both variances are mainly due to an increase in contributions to employee benefit plans.

Expenditures analysis by Standard Object

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

Quarterly and year-to-date personnel expenditures increased by \$8.7M (\$218.1M - \$209.4M) and \$19.4M (\$430.4M - \$411.0M) compared to the same period last year. Both variances are mainly due to higher permanent salaries based on collective agreements and to the increase related to conserving Canada’s land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature, as well as to carbon pollution pricing proceeds return initiatives.

Quarterly and year-to-date transportation and communications expenditures increased by \$3.0M (\$7.4M - \$4.4M) and \$7.2M (\$13.6M - \$6.4M) compared to the same period last year. Both variances are mainly due to an increase in travel expenditures related to a return to pre-pandemic situation.

Quarterly and year-to-date professional and special services expenditures increased by \$2.9M (\$42.0M - \$39.1M) and \$2.3M (\$65.5M - \$63.2M) compared to the same period last year. The quarterly variance is mainly due to the timing of payments for information technology professional services and to an increase in funding for the Federal Contaminated Sites Action Plan.

Quarterly and year-to-date utilities, materials and supplies expenditures increased by \$2.7M (\$8.1M - \$5.4M) and \$2.6M (\$13.1M - \$10.5M) compared to the same period last year. Both variances are mainly due to an increase in meteorological and laboratory materials and supplies related to a return to pre-pandemic needs and an increase in fuel and utilities costs.

Quarterly and year-to-date acquisition of machinery and equipment expenditures increased by \$1.5M (\$5.0M - \$3.5M) and \$4.1M (\$9.8M - \$5.7M) compared to the same period last year. Both variances are mainly explained by the timing of payments for the acquisition of computer equipment and the timing of the acquisition of lab instruments related to a return to pre-pandemic needs.

Quarterly and year-to-date transfer payments expenditures increased by \$29.7M (\$44.1M - \$14.4M) and \$36.5M (\$78.3M - \$41.8M) compared to the same quarter last year. The quarterly variance is mainly due to the timing of payments submitted for initiatives related to Protecting Canada's Nature, Parks and Wild Spaces and to Youth Employment and Skills Strategy and to an increase in funding available for initiatives related to conserving Canada's land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature. The year-to-date variance is mainly due to an increase in funding available for initiatives related to Canada's International Climate Finance Program and to implementing natural climate solutions in Canada.

Quarterly and year-to-date revenue collections increased by \$0.5M (\$8.5M - \$8.0M) and \$4.8M (\$20.5M - \$15.7M) compared to the same period last year. Both variances are mainly due to the timing of collections related to meteorological services provided to NAV Canada and to activities related to the Oil Sands Monitoring Program.

Risks and Uncertainties

A wide range of internal and external factors have the potential to affect ECCC's ability to deliver optimal and timely results for Canadians. With regard to financial management, the Department considers and addresses three key strategic risks to its financial plan: strategic partnerships; COVID-19 and post-pandemic uncertainties; and capital and technological infrastructure.

The Department's ability to deliver results for Canadians requires extensive collaboration with strategic partners (federal, provincial, territorial, Indigenous, and international partners, the private and non-profit sectors, and civil society). This reliance can give rise to risks associated with the Department's external relationships and partnerships if efforts are not well aligned and coordinated. To mitigate this risk, the Department, has continued to work collaboratively with key partners, build new relationships,

maintain/improve existing relationships by developing a holistic approach to dealing with common partners, and work with external partners through existing governance bodies. The Department also promotes sound stewardship of departmental resources through the terms and conditions associated with all of its grants and contributions programs in order to leverage partner support, ensure efficient delivery of external funding, and reduce potential lapses.

COVID-19 and post pandemic realities continue to impact the Department's ability to deliver services. In particular, supply chain issues could result in scheduled delays and increased costs, thus impeding the Department's ability to complete technical fieldwork. ECCC continues to adjust its operations in response to these impacts through quarterly financial reviews and bi-annual business planning updates.

The Department also relies on its capital and technological infrastructure to achieve its mandate. This infrastructure requires maintenance and ongoing investment to prevent rust-out, stay abreast of technological advancements and ensure functionality in the face of changing and increasingly complex needs. ECCC undertakes capital and technological planning to improve upon the assessment of departmental-wide priorities and funding needs.

ECCC will continue to closely monitor its operating environment to reallocate resources to key priorities and ensure that resources are being managed effectively to deliver optimal and timely results through improved programs, policies, and services.

Significant changes in relation to operations, personnel and programs

The following major changes in relation to operations, personnel and programs occurred during the second quarter:

- In June 2022, Vincent Ngan was appointed A/Assistant Deputy Minister, United Nations Biodiversity Conference (COP 15) Management Office;
- In August 2022, Catherine Stewart was appointed Canada’s Ambassador for Climate Change;
- In September 2022, Stephen De Boer was seconded as Assistant Deputy Minister, International Affairs Branch.

Approved by:

(the original version was signed by)

(the original version was signed by)

T. Christine Hogan

Deputy Minister

Gatineau, Canada

Date: November 25, 2022

Linda Drainville

Chief Financial Officer

Gatineau, Canada

Date: November 25, 2022

Statement of Authorities (unaudited) – Table 1

Fiscal year 2022-23 (in thousands of dollars)

	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,016,738	238,242	452,226
Vote 5 – Capital Expenditures	145,524	21,058	27,689
Vote 10 – Grants and Contributions	770,282	44,136	77,793
Budgetary Statutory – Employee Benefit Plans	108,101	27,025	54,051
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	93	23	46
Budgetary Statutory – Distribution of Fuel and Excess	-	-	464
Total Budgetary Authorities	2,040,738	330,484	612,269
Non-Budgetary Authorities	-	-	-
Total Authorities	2,040,738	330,484	612,269

* The funding available for use includes the 2022-23 Main Estimates and the Operating and Capital Budget Carry-Forwards.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2022*	Used during the quarter ended September 30, 2021	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	932,490	223,461	425,249
Vote 5 – Capital Expenditures	124,285	17,692	25,173
Vote 10 – Grants and Contributions	685,762	14,386	41,752
Budgetary Statutory – Employee Benefit Plans	101,864	24,193	48,386
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	91	23	46
Total Budgetary Authorities	1,844,492	279,755	540,606
Non-Budgetary Authorities	-	-	-
Total Authorities	1,844,492	279,755	540,606

* The funding available for use includes the 2021-22 Main Estimates, Supplementary Estimates A and the Operating and Capital Budget Carry-Forwards.

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

Fiscal year 2022-23 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2023*	Expended during the quarter ended September 30, 2022	Year-to-date used at quarter end
Expenditures:			
Personnel	829,758	218,092	430,354
Transportation and communications	19,036	7,361	13,610
Information	9,495	3,604	4,317
Professional and special services	271,074	41,993	65,548
Rentals	76,261	5,003	10,052
Repair and maintenance	26,606	3,141	4,881
Utilities, materials and supplies	44,191	8,064	13,079
Acquisition of land, buildings and works	1,773	32	75
Acquisition of machinery and equipment	58,293	4,994	9,762
Transfer payments	770,282	44,136	78,257
Public debt charges	577	-	-
Other subsidies and payments	7,606	2,567	2,844
Total gross budgetary expenditures	2,114,952	338,987	632,779
Less Revenues netted against expenditures:			
Revenues	74,214	8,503	20,510
Total Revenues netted against expenditures:	74,214	8,503	20,510
Total net budgetary expenditures	2,040,738	330,484	612,269

* The planned expenditures available for use includes the 2022-23 Main Estimates and the Operating and Capital Budget Carry-Forwards.

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

Fiscal year 2021-22 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended September 30, 2021	Year-to-date used at quarter end
Expenditures:			
Personnel	789,557	209,371	410,951
Transportation and communications	47,508	4,430	6,423
Information	8,535	2,226	2,988
Professional and special services	240,437	39,146	63,194
Rentals	33,702	4,822	8,772
Repair and maintenance	19,863	1,930	3,409
Utilities, materials and supplies	43,792	5,419	10,540
Acquisition of land, buildings and works	1,934	90	169
Acquisition of machinery and equipment	40,901	3,453	5,653
Transfer payments	685,762	14,387	41,753
Public debt charges	531	-	-
Other subsidies and payments	7,729	2,444	2,504
Total gross budgetary expenditures	1,920,251	287,718	556,356
Less Revenues netted against expenditures:			
Revenues	75,759	7,963	15,750
Total Revenues netted against expenditures:	75,759	7,963	15,750
Total net budgetary expenditures	1,844,492	279,755	540,606

* The planned expenditures available for use includes the 2021-22 Main Estimates, Supplementary Estimates A and the Operating and Capital Budget Carry-Forwards.