



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2017-18

Canada 

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 and Supplementary Estimates for the current year.

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 and Supplementary Estimates for the 2017-18 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, 2017. 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 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 “C” will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2018 is higher by approximately \$55.5M (\$1,122.0M - \$1,066.5M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$65.9M (\$817.7M – \$751.8M) and in Vote 5 – Capital of \$10.7M (\$84.6M - \$73.9M), offset by a decrease in Vote 10 –

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

Grants and Contributions of \$14.7M (\$131.7M - \$146.4M) and in Budgetary Statutory authorities for the Employee Benefit Plans of \$6.3M (\$87.9M - \$94.2M).

Vote 1 – Net Operating authorities

The \$65.9M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$50.1M increase related to the compensation allocations from TBS related to the new collective agreements;
- \$11.2M increase related to the Oceans Protection Plan;
- \$9.4M increase related to initiatives supporting Clean Growth and Climate Change;
- \$6.1M increase related to the Contaminated Sediment Remediation Projects;
- \$5.0M increase related to the Great Lakes Ecosystem Initiatives;
- \$4.7M increase related to the Low Carbon Economy Fund;
- \$2.2M increase related to activities Addressing Air Pollution;
- \$0.4M increase related to Managing Transboundary Water Issues; and
- \$0.5M increase for various other small initiatives.

offset by:

- \$4.5M decrease related to departmental reductions to Professional Services, Advertising and Travel announced in Budget 2016;
- \$4.5M decrease related to a reduction in the amount carried forward from the previous year to continue work on specific projects;
- \$3.6M decrease related to the World Class Oil Spills Regime;
- \$2.8M decrease related to the Federal Contaminated Sites Action Plan;
- \$2.6M decrease related to initiatives associated with the revitalization of meteorological services;
- \$1.8M decrease related to the Federal Infrastructure Initiative;
- \$1.7M decrease related to the Single Window Initiative;
- \$1.4M decrease related to the Lake Simcoe Initiative;
- \$0.4M decrease related to the National Conservation Plan; and
- \$0.4M decrease for various other smaller initiatives.

Vote 5 – Capital authorities

The \$10.7M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$13.7M increase related to initiatives associated with the revitalization of meteorological services;
- \$1.6M increase related to activities Addressing Air Pollution;

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- \$1.5M increase related to the World Class Oil Spills Regime;
- \$0.4M increase related to the Federal Infrastructure Initiative;
- \$0.3M increase related to the Great Lakes Ecosystem Initiatives;
- \$0.3M increase related to the National Conservation Plan; and,
- \$0.3M increase related to the Oceans Protection Plan.

offset by:

- \$7.2M decrease related to a reduction in the amount carried forward from the previous year to continue work on specific projects;
- \$0.1M decrease related to initiatives supporting Clean Growth and Climate Change; and
- \$0.1M decrease related to Managing Transboundary Water Issues.

Vote 10 – Grants and contributions authorities

The \$14.7M decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$17.3M decrease related to the Sustainable Development Technology Fund;
- \$6.1M decrease related to the Lake Simcoe Initiative;
- \$2.0M decrease related to the Inuit Impact and Benefit Agreement; and,
- \$0.4M decrease related to funding transferred to Parks Canada to enable indigenous participation in the Pathway to Canada.

offset by:

- \$7.2M increase related to initiatives supporting Clean Growth and Climate Change;
- \$3.6M increase related to the Youth Employment Strategy;
- \$0.2M increase related to the Ocean's Protection Plan; and,
- \$0.1M increase related to the Managing Transboundary Water Issues.

Statutory authorities

The \$6.3M decrease compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$6.3M decrease related to the contributions to Employee Benefit Plans (EBP).

Expenditures analysis by authority

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

In the third quarter of 2017-18, total budgetary expenditures were \$281.6M compared to \$250.4M reported for the same period in 2016-17, resulting in an increase of \$31.2M or 12.5% (\$281.6M - \$250.4M). Year to date expenditures as of December 31, 2017 are \$739.4M which represents an increase of \$47.0M or 6.8% (\$739.4M - \$692.4M) compared to the same period in 2016-17.

Vote 1 – Net Operating authorities used during the third quarter of 2017-18 totalled \$205.2M, which represents an increase of \$28.8M or 16.3% (\$205.2M - \$176.4M) compared to the same quarter in 2016-17. Year to date expenditures also increased by \$65.3M or 12.7% (\$578.0M - \$512.7M). The variances are mainly due the disbursements of salary retroactive payments to employees for the current year following the ratification and signing of some collective agreements as well as an increase in rent for the Pacific Environment Centre site in West Vancouver.

Vote 5 – Capital authorities used during the third quarter of 2017-18 totalled \$18.3M, which represents an increase of \$3.7M or 25.3% (\$18.3M - \$14.6M) compared to the same quarter in 2016-17. This variance is mainly due to an increase in engineering consulting fees relating to the replacement of radar equipment. Year to date expenditures have also increased by \$5.5M or 21.2% (\$31.4M - \$25.9M) compared to the same period last year. This is mainly attributable to the Eureka Storage Building Recapitalization Project, a one-year investment occurring in 2017-18.

Vote 10 – Grants and Contributions authorities used during the third quarter of 2017-18 totalled \$36.6M, which represents a decrease of \$2.0M or 5.2% (\$36.6M - \$38.6M) compared to the same quarter in 2016-17. This variance is mainly due to a delay in a contribution payment for the Science Horizons Youth Internship Program. Year to date expenditures have decreased by \$23.4M or 26.2% (\$66.0M - \$89.4M) compared to the same period last year. This is mainly due to the transfer of responsibilities of the Sustainable Development Technology Fund from ECCC to Innovation, Science and Economic Development Canada (ISED).

Statutory authorities used during the third quarter of 2017-18 totalled \$21.5M, which represents an increase of \$0.6M or 2.9% (\$21.5M - \$20.9M) compared to the same quarter in 2016-17. Year to date expenditures have also decreased by \$0.4M or 0.6% (\$64.0M - \$64.4M). This is mainly due to the elimination of the statutory grant of \$2.3M to Sustainable Development Technology Canada for the NextGen Biofuels Fund offset by an increase due to the disbursements of salary retroactive payments to employees.

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 have increased respectively by \$14.4M or 9.2% (\$171.2M - \$156.8M) and \$55.1M or 11.9% (\$518.5M - \$463.4M) compared to the same quarter last year. This is mainly explained by the disbursements of salary retroactive payments to employees for the current year following the ratification and signing of collective agreements.

Professional and special services expenditures have increased by \$10.2M or 30.5% (\$43.6M - \$33.4M) compared to the same quarter last year. Year to date expenditures have increased by \$4.3M or 5.3% (\$85.9M - \$81.6M) compared to the previous year. Both increases are mainly due to higher engineering consulting expenditures related to the replacement of radar equipment as well as increased spending in engineering services for the Contaminated Sediment Remediation Projects.

Rental expenditures have increased by \$19.2M or 417.4% (\$23.8M - \$4.6M) compared to the same quarter last year. Year to date expenditures have increased by \$19.6M or 93.8% (\$40.5M - \$20.9M) compared to the previous year. Both increases are mainly due to the increased rent for the Pacific Environment Centre site in West Vancouver.

Repair and maintenance expenditures have increased by \$0.4M or 10.3% (\$4.3M - \$3.9M) compared to the previous year. Year to date expenditures have increased by \$5.0M or 69.4% (\$12.2M - \$7.2M). Both increases are mainly attributable to the Eureka Storage Building Recapitalization Project, a one-year investment occurring in 2017-18.

Utilities, materials and supplies expenditures have decreased by \$3.4M or 32.1% (\$7.2M - \$10.6M) compared to the same quarter last year. Year to date expenditures have decreased by \$6.1M or 23.2% (\$20.2M - \$26.3M) compared to the previous year. Both variances are mainly attributable to delays in delivery from fiscal year 2015-16 resulting in a higher than usual level of procurement activity in 2016-17.

Transfer payments expenditures have decreased by \$2.0M or 5.2% (\$36.6M - \$38.6M) compared to the same quarter last year. This variance is mainly due to a delay in a contribution payment for the Science Horizons Youth Internship Program. Year to date expenditures have decreased by \$25.7M or 28.0% (\$66.0M - \$91.7M). This is mainly due to the elimination of the Sustainable Development Technology Fund as a result of the transfer of responsibilities from ECCC to ISED.

Quarterly other subsidies and payments have decreased by \$2.4M or 80.0% (\$0.6M - \$3.0M) compared to the same quarter last year. The decrease is mainly attributable to the timing of recognition of the salary overpayments during the third quarter of the fiscal year 2016-17.

Revenues collected have increased by \$3.6M or 21.4% (\$20.4M - \$16.8M) compared to the same quarter last year. Year to date collections have increased by \$3.5M or 8.5% (\$44.9M - \$41.4M) compared to the previous year. These are mainly due to increased 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.

Budget 2017 provided to ECCC significant funding to support implementation of a wide variety of initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change, including pricing carbon pollution. It also made available funding to contribute to the protection of Canada's freshwater resources and the actions to prevent and manage air pollution. In this context, ECCC will continue to conduct program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning processes.

The Government of Canada has implemented a new pay system as part of the pay transformation initiative. There are known issues associated with the implementation of this system that have resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of compensatory controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada and TBS.

Significant changes in relation to operations, personnel and programs

There are no significant changes in relation to operations, personnel and programs to report during the third quarter of 2017-18.

Approved by:

(The original version was signed by)

Stephen Lucas,
Deputy Minister

Gatineau, Canada

(The original version was signed by)

Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date: February 22, 2018

Date: February 22, 2018

Statement of Authorities (unaudited) – Table 1

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” will follow later this year.

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Statement of Authorities (unaudited) – Table 2

Fiscal year 2016-17 (in thousands of dollars)

	Total available for use for the year ending March 31, 2017*	Used during the quarter ended December 31, 2016	Year to date used at quarter end
Vote 1 – Net Operating expenditures	751,845	176,402	512,719
Vote 5 – Capital expenditures	73,872	14,567	25,906
Vote 10 – Grants and contributions	146,433	38,569	89,438
Budgetary Statutory – Employee Benefit Plans	94,242	20,463	61,387
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	63
Budgetary Statutory – Refund of previous years revenue	0	89	183
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	296	431
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	2,290
Agency Fees under section 17.1 of the Financial Administration Act	0	2	2
Total Budgetary authorities	1,066,476	250,409	692,419
Non-budgetary authorities	-	-	-
Total authorities	1,066,476	250,409	692,419

* The funding available for use includes the 2016-17 Main Estimates, the Supplementary Estimates “A” and “B”, and the Operating and Capital budget carry-forwards.

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

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” will follow later this year.

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

Fiscal year 2016-17 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended December 31, 2016	Year to date used at quarter end
Expenditures:			
Personnel	632,160	156,837	463,433
Transportation and communications	43,128	8,730	21,575
Information	4,894	1,300	2,520
Professional and special services	169,975	33,350	81,587
Rentals	31,871	4,587	20,856
Repair and maintenance	20,761	3,859	7,214
Utilities, materials and supplies	51,605	10,570	26,348
Acquisition of land, buildings and works	800	24	71
Acquisition of machinery and equipment	49,321	6,373	11,869
Transfer payments	146,433	38,569	91,728
Other subsidies and payments	4,124	3,033	6,592
Total gross budgetary expenditures	1,155,072	267,232	733,793
Less Revenues netted against expenditures:			
Revenues	88,596	16,823	41,374
Total Revenues netted against expenditures:	88,596	16,823	41,374
Total net budgetary expenditures	1,066,476	250,409	692,419

* The funding available for use includes the 2016-17 Main Estimates, the Supplementary Estimates “A” and “B”, and the Operating and Capital budget carry-forwards.