



Environment and  
Climate Change Canada

Environnement et  
Changement climatique Canada



# DEPARTMENTAL QUARTERLY FINANCIAL REPORT

## Q2/2016-17

**Environment and Climate Change Canada Quarterly Financial Report**  
**Statement outlining results, risks and significant changes in operations,**  
**personnel and programs**  
**For the quarter ended September 30, 2016**

## **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 Main Estimates.

A summary description of the Environment and Climate Change Canada (ECCC) Raison d'être and program activities can be found in [Part II of the Main Estimates](#).

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

## **Basis of presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting (modified cash accounting). The accompanying Statement of Authorities includes ECCC's spending authorities granted by Parliament and those used by the Department, consistent with the Main Estimates and the Supplementary Estimates for the 2016-17 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.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

## **Highlights of fiscal quarter and fiscal year to date (YTD) results**

### **Statement of Authorities (Table 1)**

This quarterly report, ending September 30, 2016, reflects the authorities that were approved for this period. The funding available for use includes the 2016-17 Main Estimates as well as the Supplementary Estimates "A". Authorities for Supplementary Estimates "B" and "C" will follow later this year. Funding for program renewals such as Federal Contaminated Sites Action Plan, Clean

Growth and Climate Change as well as activities reducing Air Pollution were approved in Supplementary Estimates “A”; additional funding for Budget 2016 announcements is anticipated to be approved through the upcoming Supplementary Estimates “B” and “C”. Environment and Climate Change Canada’s authorities “Total available for use for the year ending March 31, 2017” is slightly lower by approximately \$0.3M (\$1,035.2M - \$1,035.5M)<sup>1</sup> when compared to the same quarter of the previous year. This difference is explained by decreases in Vote 1 - Operating of \$6.0M (\$738.1M - \$744.1M)<sup>1</sup> and in Vote 5 - Capital of \$11.9M (\$72.7M - \$84.6M)<sup>1</sup>, offset by increases in Vote 10 - Grants and Contributions of \$13.4M (\$131.7M - \$118.3M)<sup>1</sup>, and in Budgetary Statutory authorities for the Employee Benefit Plans and the Minister’s Salary and Motor car allowance of \$4.3M (\$92.7M - \$88.4M)<sup>1</sup>.

### **Vote 1 – Operating authorities**

The \$6.0M net decrease compared to last fiscal year in the Operating authorities is mainly due to the following:

- \$69.2M decrease related to the Clean Air Regulatory Agenda;
- \$10.3M decrease related to the Government of Canada’s Weather Monitoring and Supercomputing Infrastructure;
- \$8.5M decrease related to the Contaminated Sediment Remediation Projects;
- \$4.8M decrease related to the International Climate Change Strategy Initiative;
- \$2.8M decrease related to the World Class Oil Spills Regime;
- \$0.9M decrease related to the 2015 Pan and Parapan American Games; and,
- \$0.5M decrease for various other smaller adjustments.

offset by:

- \$46.2M increase related to activities reducing Air Pollution;
- \$28.9M increase related to initiatives supporting Clean Growth and Climate Change;
- \$4.2M increase related to Meteorological and Navigational Warning Services for the Arctic Oceans;
- \$4.1M increase related to Revitalization of Canada’s Weather Services;
- \$2.9M increase related to the Federal Contaminated Sites Action Plan;
- \$2.1M increase related to the Federal Infrastructure Initiative;
- \$2.0M increase related to the Major Project Management Office Initiative; and,
- \$0.6M increase for pro-active reconciliation and management of Métis Aboriginal rights and the management of Métis and non-status Indian litigation.

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<sup>1</sup> See Statement of Authorities.

### **Vote 5 – Capital authorities**

The \$11.9M net decrease compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$8.3M decrease related to the Government of Canada's Weather Monitoring and Supercomputing Infrastructure;
- \$4.5M decrease related to a reduction in the amount carried forward from previous year to continue work on specific projects;
- \$3.2M decrease related to the Clean Air Regulatory Agenda;
- \$0.8M decrease for a transfer to Shared Services Canada for the incremental cost of IT services; and,
- \$0.7M decrease related to the World Class Oil Spills Regime.

offset by:

- \$2.2M increase related to activities reducing Air Pollution;
- \$1.5M increase related to the National Conservation Plan;
- \$1.1M increase related to the Federal Infrastructure Initiative; and,
- \$0.8M increase from various other smaller adjustments.

### **Vote 10 - Grants and Contributions (G&C)**

The \$13.4M net increase compared to last fiscal year in the Grants and Contributions (G&C) authorities is mainly due to the following:

- \$11.3M increase related to the Sustainable Development Technology Fund;
- \$3.1M increase related to the Inuit Impact Benefit Agreement;
- \$1.6M increase related to initiatives supporting Clean Growth and Climate Change;
- \$1.3M increase related to activities reducing Air Pollution;
- \$0.5M increase related to the National Conservation Plan; and,
- \$0.4M increase related to the pro-active reconciliation and management of Métis Aboriginal rights and the management of Métis and non-status Indian litigation.

offset by:

- \$2.4M decrease related to the Clean Air Regulatory Agenda;
- \$1.6M decrease for facilitating Aboriginal participation in the West Coast Energy Development;
- \$0.7M decrease related to the Lake Winnipeg Basin Initiative (LWBI); and,
- \$0.1M decrease for various other smaller adjustments.

## **Statutory authority**

The \$4.3M net increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$4.3M net increase related to the Employee Benefit Plans (EBP).

## ***Expenditure Analysis***

In the second quarter of 2016-17, total net budgetary expenditures were \$230.1M compared to the same period in 2015-16, resulting in a decrease of \$13.6M or 5.6% (\$230.1M – \$243.7M). The year to date expenditures as of September 30, 2016 are \$442.0M which represents an increase of \$21.3M or 5.1% (\$442.0M – \$420.7M) compared to the same period in 2015-16.

Vote 1 – Operating authorities used during the second quarter of 2016-17 totaled \$178.6M which represents a decreased of \$3.7M or 2.0% (\$178.6M - \$182.3M) compared to the same quarter in 2015-16, resulting from the timing of the lease payment for the Pacific Environmental Centre (PEC) and the timing of revenue collections for various programs, offset by higher expenditures related to the Contaminated Sediment Remediation Projects. The year to date Operating authorities used increased by \$11.8M or 3.6% (\$336.3M - \$324.5M) which also resulting from higher expenditures related to the Contaminated Sediment Remediation Projects.

Vote 5 – Capital authorities used during the second quarter of 2016-17 totaled \$7.8M, which represents an increase of \$4.8M or 160.0% (\$7.8M – \$3.0M) compared to the same quarter in 2015-16. Year to date expenditures have also increased by \$4.3M or 61.4% (\$11.3M – \$7.0M) compared to the same period last year. Both increases are mainly attributable to the timing of expenditures being recorded for projects such as the Eureka Runway.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2016-17 totaled \$23.1M, which represents a decrease of \$13.4M or 36.7% (\$23.1M – \$36.5M) compared to the same quarter in 2015-16. This is mainly due to the timing of certain G&C payments. Year to date expenditures have increased by \$5.5M or 12.1% (\$50.9M - \$45.4M) and is mainly due to a contribution payment to the Sustainable Development Technology Canada for the Sustainable Development Technology Fund and a statutory grant payment for the NextGen Biofuels Fund offset by the timing of certain G&C payments.

Statutory authorities used during the second quarter of 2016-17 totaled \$20.6M, which represents a decrease of \$1.3M or 5.9% (\$20.6M - \$21.9M) compared to the same quarter in 2015-16. This is mainly due to a reduction in expenditures tied to the Employee Benefit Plan. Year to date expenditures are similar to previous year.

## **Statement of Departmental Expenditures by Standard Object (Table 2)**

Professional and special services quarterly and year to date expenditures have increased by \$9.4M or 44.8% (\$30.4M – \$21.0M) and \$17.1M or 55.0% (\$48.2M – \$31.1M) respectively compared to the same quarter last year, mainly due to higher expenditures made for the Contaminated Sediment Remediation Projects and an earlier payment for the Eureka Runway project. Further contributing to the year to date increase is the change in the invoicing process of legal services with Justice Canada which is now made in advance instead of being on a monthly basis.

Rentals expenditures have decreased by \$5.6M or 49.6% (\$5.7M – \$11.3M) compared to the same quarter last year. This is mainly due to the timing of the lease payment for the Pacific Environmental Centre (PEC) which occurred earlier this year. However, year to date expenditures have increased by \$3.2M or 24.4% (\$16.3M – \$13.1M) which is also due to the timing of the lease payment to Carleton University and the renewal of software licenses.

Acquisitions of machinery and equipment quarterly and year to date expenditures have increased by \$2.3M or 127.8% (\$4.1M – \$1.8M) and \$2.5M or 83.3% (\$5.5M – \$3.0M) respectively compared to the same quarter last year, mainly due to earlier expenditures being recorded for laboratory installation costs.

Transfer Payments expenditures have decreased by \$13.4M or 36.7% (\$23.1M – \$36.5M) in the second quarter. This is mainly due to the timing of certain G&C payments. Year to date expenditures have increased by \$7.8M or 17.2% (\$53.2M – \$45.4M) and is mainly due to a contribution payment to the Sustainable Development Technology Canada for the Sustainable Development Technology Fund and an earlier statutory grant payment for the NextGen Biofuels Fund offset by the timing of certain G&C payments.

Quarterly and year to date revenues collected have increased by \$6.8M or 133.3% (\$11.9M – \$5.1M) and \$10.3M or 72.0% (\$24.6M – \$14.3M) respectively compared to the same quarter last year which is mainly attributable to the timing of collections for various program activities related to NavCan, Oil Sand and National Defence.

## **Risks and Uncertainties**

Environment and Climate Change Canada (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 revenue. ECCC's planned spending reflects approved funding by Treasury Board.

In its financial management, the Department needs to consider a set of specific circumstances with potential impact related to the department's financial plan. For example, Budget 2016 provided to ECCC significant funding to secure a cleaner, more sustainable environment, to support the

development of a pan-Canadian Framework on Clean Growth and Climate Change, the international environmental cooperation and the clean technology, to finance green infrastructure projects, and to address air pollution. This additional funding represents new financial opportunities for ECCC in delivering and clearly reporting on horizontal and departmental outcomes and expenditures related to the Minister's mandate letter. ECCC will face this new challenge and provide effective governance, coordination, and alignment of environmental initiatives across several federal departments.

ECCC will remain focused on ensuring that financial authorities are secured in a timely manner so that program areas are able to ramp up to meet new requirements. Moreover, in order to support effective decision-making, ECCC will continue to conduct ongoing program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning processes.

### **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 second quarter of 2016-17.


Approved by:

  
Michael Martin, Deputy Minister

NOV 21 2016

Date

  
City

  
Carol Najm, ADM  
Corporate Services and Finance Branch, and  
Chief Financial Officer

NOV 17 2016

Date

  
City

Environment and Climate Change Canada  
For the quarter ended September 30, 2016  
Statement of Authorities (unaudited) – Table 1

	Fiscal year 2016-17			Fiscal year 2015-16		
	Total available for use for the year ending March 31, 2017*	Used during the quarter ended September 30, 2016	Year to date used at quarter end	Total available for use for the year ending March 31, 2016	Used during the quarter ended September 30, 2015	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	<b>738,101</b>	<b>178,557</b>	<b>336,317</b>	744,070	182,307	324,504
Vote 5 – Capital expenditures	<b>72,698</b>	<b>7,823</b>	<b>11,339</b>	84,637	2,962	6,967
Vote 10 – Grants and contributions	<b>131,734</b>	<b>23,103</b>	<b>50,869</b>	118,341	36,490	45,364
Statutory – Employee Benefits Plan	<b>92,567</b>	<b>20,462</b>	<b>40,924</b>	88,322	21,900	43,800
Statutory – Minister’s Salary & Car Allowance	<b>84</b>	<b>21</b>	<b>42</b>	82	20	41
Statutory – Refund of previous years revenue	<b>0</b>	<b>52</b>	<b>94</b>	0	0	0
Statutory - Spending of proceeds from the disposal of surplus Crown assets	<b>0</b>	<b>104</b>	<b>135</b>	0	7	7
Statutory – Canada Foundation for Sustainable Development Technology Grant	<b>0</b>	<b>0</b>	<b>2,290</b>	0	0	0
<b>Total Budgetary authorities</b>	<b>1,035,184</b>	<b>230,122</b>	<b>442,010</b>	1,035,452	243,686	420,683
<b>Non-budgetary authorities</b>	-	-	-	-	-	-
<b>Total authorities</b>	<b>1,035,184</b>	<b>230,122</b>	<b>442,010</b>	1,035,452	243,686	420,683

\* The Total funding available for use includes the 2016-17 Main Estimates, Supplementary Estimates “A” and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates “B” and “C” will follow later this year.



Environment and Climate Change Canada

For the quarter ended September 30, 2016

Departmental budgetary expenditures by Standard Object (unaudited) – Table 2

	Fiscal year 2016-17			Fiscal year 2015-16		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended September 30, 2016	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended September 30, 2015	Year to date used at quarter end
(In thousands of dollars)						
<b>Expenditures:</b>						
Personnel	622,105	155,973	306,596	613,442	155,856	309,040
Transportation and communications	42,248	7,695	12,845	41,149	7,427	11,782
Information	4,819	802	1,220	4,013	562	796
Professional and Special Services	166,807	30,438	48,237	170,350	21,028	31,050
Rentals	31,096	5,709	16,269	30,828	11,343	13,115
Purchased Repair and Maintenance	20,505	2,083	3,355	26,018	2,730	3,650
Utilities, Materials and Supplies	50,592	9,406	15,778	46,505	8,461	13,869
Acquisition of Land, Buildings and Works	800	46	47	1,592	20	25
Acquisition of Machinery and Equipment	48,950	4,097	5,496	67,565	1,834	3,008
Transfer payments	131,734	23,103	53,159	118,341	36,490	45,364
Other Subsidies and Payments	4,124	2,696	3,559	4,244	3,034	3,301
<b>Total gross budgetary expenditures</b>	<b>1,123,780</b>	<b>242,048</b>	<b>466,561</b>	<b>1,124,047</b>	<b>248,785</b>	<b>435,000</b>
<b>Less Revenues netted against expenditures:</b>						
Revenues	88,596	11,926	24,551	88,595	5,099	14,317
<b>Total revenues netted against expenditures</b>	<b>88,596</b>	<b>11,926</b>	<b>24,551</b>	<b>88,595</b>	<b>5,099</b>	<b>14,317</b>
<b>Total net budgetary expenditures</b>	<b>1,035,184</b>	<b>230,122</b>	<b>442,010</b>	<b>1,035,452</b>	<b>243,686</b>	<b>420,683</b>

\* The Planned expenditures includes the 2016-17 Main Estimates, the Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will follow later this year.

