



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2016-17

Environment and Climate Change Canada Quarterly Financial Report
Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended December 31st, 2016

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.

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 December 31st, 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" and "B". Authorities for Supplementary Estimates "C" will follow later this year.

Environment and Climate Change Canada's authorities "Total available for use for the year ending March 31, 2017" is higher by approximately \$31.0M (\$1,066.5M - \$1,035.5M)¹ when compared to the same quarter of the previous year. This difference is explained by increases in Vote 1 - Operating of \$7.7M (\$751.8M - \$744.1M)¹, in Vote 10 - Grants and Contributions of \$28.1M (\$146.4M - \$118.3M)¹ and in Budgetary Statutory authorities for the Employee Benefit Plans of \$5.9M (\$94.2M - \$88.3M)¹ offset by a decrease in Vote 5 - Capital of \$10.7M (\$73.9M - \$84.6M)¹.

Vote 1 – Operating authorities

The \$7.7M net increase compared to last fiscal year in the Operating authorities is mainly due to the following:

- \$51.8M increase related to activities reducing Air Pollution;
- \$36.5M increase related to initiatives supporting Clean Growth and Climate Change;
- \$4.2M increase related to Meteorological and Navigational Warning Services for the Arctic Oceans;
- \$3.9M 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;
- \$0.9M increase related to Support Safe and Secure Shipping (south of 60 °); and,
- \$0.8M increase related to Managing Transboundary Water Issues.

offset by:

- \$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;
- \$1.3M decrease related to the Great Lakes Action Plan for Areas of Concern; and,
- \$0.9M decrease related to the 2015 Pan and Parapan American Games.

¹ See Statement of Authorities.

Vote 5 – Capital authorities

The \$10.7M 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; and,
- \$0.8M decrease for a transfer to Shared Services Canada for the incremental cost of IT services.

offset by:

- \$2.5M increase related to activities reducing Air Pollution;
- \$1.5M increase related to the National Conservation Plan;
- \$1.1M increase related to Revitalization of Canada's Weather Services; and,
- \$1.1M increase related to the Federal Infrastructure Initiative.

Vote 10 - Grants and Contributions (G&C)

The \$28.1M 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;
- \$8.9M increase related to initiatives supporting Clean Growth and Climate Change;
- \$7.4M increase related to the Youth Initiatives Strategy;
- \$3.1M increase related to the Inuit Impact Benefit Agreement;
- \$1.6M increase related to activities reducing Air Pollution; and,
- \$0.5M increase related to the National Conservation Plan.

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; and
- \$0.7M decrease related to the Lake Winnipeg Basin Initiative (LWBI).

Statutory authority

The \$5.9M net increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$5.9M net increase related to the Employee Benefit Plans (EBP).

Expenditure Analysis

In the third quarter of 2016-17, net budgetary expenditures totalled \$250.4M compared to the same period in 2015-16, resulting in an increase of \$38.8M or 18.3% (\$250.4M – \$211.6M). Year to date expenditures as of December 31, 2016 are \$692.4M which represents an increase of \$60.1M or 9.5% (\$692.4M – \$632.3M) compared to the same period in 2015-16.

Vote 1 – Operating authorities used during the third quarter of 2016-17 totalled \$176.4M which represents an increase of \$22.9M or 14.9% (\$176.4M – \$153.5M) compared to the same quarter in 2015-16, resulting from the timing of revenue collections for various programs and higher expenditures related to the Contaminated Sediment Remediation Projects. Year to date Operating authorities used increased by \$34.7M or 7.3% (\$512.7M – \$478.0M) resulting from higher expenditures related to the Contaminated Sediment Remediation Projects, a change in the invoicing process of legal services and higher scientific and technical equipment expenditures that support the Hydrometric Network.

Vote 5 – Capital authorities used during the third quarter of 2016-17 totalled \$14.6M, which represents a decrease of \$1.1M or 7.0% (\$14.6M – \$15.7M) compared to the same quarter in 2015-16. This is mainly due to the timing of expenditures being recorded for investments in Eureka monitoring station. Year to date expenditures have increased by \$3.3M or 14.6% (\$25.9M – \$22.6M) compared to the same period last year, and is also attributable to the timing of expenditures being recorded for investments in Eureka monitoring station.

Vote 10 – Grants and Contributions authorities used during the third quarter of 2016-17 totalled \$38.6M, which represents an increase of \$19.4M or 101.0% (\$38.6M – \$19.2M) compared to the same quarter in 2015-16. This is mainly due to the timing of G&C payments made under the National Conservation Plan (NCP). Year to date expenditures have increased by \$24.8M or 38.4% (\$89.4M - \$64.6M) and is mainly due to a contribution payment to the Sustainable Development Technology Canada for the Sustainable Development Technology Fund and a higher payment made for the Science Horizons Youth Internship program.

Statutory authorities used during the third quarter of 2016-17 totalled \$20.9M, which represents a decrease of \$2.3M or 9.9% (\$20.9M - \$23.2M) compared to the same quarter in 2015-16. Year to date expenditures have decreased by \$2.7M or 4.0% (\$64.4M – \$67.1M) compared to the same period last year. Both decreases are mainly due to a reduction in expenditures tied to the Employee Benefit Plans.

Statement of Departmental Expenditures by Standard Object (Table 2)

Professional and special services have decreased by \$1.0M or 2.9% (\$33.4M – \$34.4M) compared to the same quarter last year. Year to date expenditures have increased by \$16.2M or 24.8% (\$81.6M - \$65.4M) and is mainly due to higher expenditures made for the Contaminated Sediment Remediation Projects as well as the change to 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 \$3.0M or 39.5% (\$4.6M – \$7.6M) compared to the same quarter last year. This is mainly due to the timing of the lease payment to Carleton University and the renewal of software licenses. Year to date expenditures are similar to previous year.

Purchased repair and maintenance have increased by \$1.2M or 44.4% (\$3.9M – \$2.7M) compared to the same quarter last year. Year to date expenditures have increased by \$0.8M or 12.5% (\$7.2M - \$6.4M) compared to previous year. These are mainly due to higher expenditures related to the investments in Eureka infrastructure.

Utilities, materials and supplies have increased by \$1.6M or 17.8% (\$10.6M – \$9.0M) compared to the same quarter last year. Year to date expenditures have increased by \$3.4M or 14.8% (\$26.3M - \$22.9M) compared to previous year. These are mainly due to higher scientific and technical equipment expenditures that support the Hydrometric Network.

Acquisitions of machinery and equipment have increased by \$1.7M or 36.2% (\$6.4M – \$4.7M) compared to the same quarter last year. Year to date expenditures have increased by \$4.2M or 54.5% (\$11.9M – \$7.7M) compared to previous year. These are mainly due to the timing of expenditures being recorded for laboratory installation costs.

Transfer payments have increased by \$19.0M or 96.9% (\$38.6M – \$19.6M) compared to the same quarter last year. This is mainly due to the timing of grants and contributions payments made under the National Conservation Plan (NCP). Year to date expenditures have increased by \$26.8M or 41.3% (\$91.7M – \$64.9M) and is mainly due to a contribution payment to the Sustainable Development Technology Canada for the Sustainable Development Technology Fund and higher expenditures for the Science Horizons Youth Internship program.

Other subsidies and payments have increased by \$2.7M or 900% (\$3.0M - \$0.3M) compared to the same quarter last year. Year to date expenditures have increased by \$3.0M or 83.3% (\$6.6M - \$3.6M) compared to previous year. These are mainly due to salary overpayments related to the implementation of the Phoenix pay system.

Revenues collected have decreased by \$13.9M or 45.3% (\$16.8M – \$30.7M) compared to the same quarter last year. Year to date expenditures have decreased by \$3.7M or 8.2% (\$41.4M – \$45.1M)

compared to previous year. These are mainly due to the timing of collections for various program activities from NavCan, National Defence, and in support of Hydrometric Network.

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 and Parliament.

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 funding to secure a cleaner, more sustainable environment, to support the development and implementation 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 commitments.

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

The Government of Canada is in the process of implementing a new pay system as part of the pay transformation initiative. There are known issues associated with the implementation of this system. This has resulted in ECCC having to make management estimates of over/underpayments not yet in the system in order to determine the impact on current year appropriations. The impact of overpayments not recovered is creating a cash management pressure for some programs, however, the department is mitigating this risk by providing temporary funding relief from a central reserve in the department and continues to monitor and report on the estimated over/underpayments on a weekly basis.

Significant changes in relation to operations, personnel and programs

On December 14, 2016, the Prime Minister, Justin Trudeau, announced the following changes in the senior ranks of the Public Service: Stephen Lucas, formerly Senior Associate Deputy Minister (Climate Change), Environment and Climate Change, became Deputy Minister of Environment and Climate Change, effective January 23, 2017. Martine Dubuc, formerly Vice-President, Science and Chief Food Safety Officer for Canada, Canadian Food Inspection Agency, became Associate Deputy Minister of Environment and Climate Change, effective January 23, 2017.

Approved by:



Stephen Lucas, Deputy Minister

FEB 20 2017

Date

Gatineau

City



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

FEB 17 2017

Date

Gatineau

City

Environment and Climate Change Canada
For the quarter ended December 31st, 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 December 31 st , 2016	Year to date used at quarter end	Total available for use for the year ending March 31, 2016	Used during the quarter ended December 31 st , 2015	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	751,845	176,402	512,719	744,070	153,495	477,999
Vote 5 – Capital expenditures	73,872	14,567	25,906	84,637	15,660	22,627
Vote 10 – Grants and contributions	146,433	38,569	89,438	118,341	19,228	64,592
Statutory – Employee Benefits Plan	94,242	20,463	61,387	88,322	21,899	65,699
Statutory – Minister’s Salary & Car Allowance	84	21	63	82	15	56
Statutory – Refund of previous years revenue	0	89	183	0	744	744
Statutory - Spending of proceeds from the disposal of surplus Crown assets	0	296	431	0	245	252
Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	2,290	0	338	338
Statutory – Collection Agency Fees under section 17.1 of the Financial Administration Act	0	2	2	0	0	0
Total Budgetary authorities	1,066,476	250,409	692,419	1,035,452	211,624	632,307
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	1,066,476	250,409	692,419	1,035,452	211,624	632,307

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

Environment and Climate Change Canada

For the quarter ended December 31st, 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 December 31 st , 2016	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31 st , 2015	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	632,160	156,837	463,433	613,442	156,056	465,096
Transportation and communications	43,128	8,730	21,575	41,149	7,553	19,335
Information	4,894	1,300	2,520	4,013	438	1,234
Professional and Special Services	169,975	33,350	81,587	170,350	34,352	65,402
Rentals	31,871	4,587	20,856	30,828	7,592	20,707
Purchased Repair and Maintenance	20,761	3,859	7,214	26,018	2,742	6,392
Utilities, Materials and Supplies	51,605	10,570	26,348	46,505	9,032	22,901
Acquisition of Land, Buildings and Works	800	24	71	1,592	6	31
Acquisition of Machinery and Equipment	49,321	6,373	11,869	67,565	4,698	7,706
Transfer payments	146,433	38,569	91,728	118,341	19,566	64,930
Other Subsidies and Payments	4,124	3,033	6,592	4,244	329	3,630
Total gross budgetary expenditures	1,155,072	267,232	733,793	1,124,047	242,364	677,364
Less Revenues netted against expenditures:						
Revenues	88,596	16,823	41,374	88,595	30,740	45,057
Total revenues netted against expenditures	88,596	16,823	41,374	88,595	30,740	45,057
Total net budgetary expenditures	1,066,476	250,409	692,419	1,035,452	211,624	632,307

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

