



FUTURE-ORIENTED STATEMENT OF OPERATIONS

2020-2021



Environment and Climate Change Canada

FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

For the year ending March 31 (in thousands of dollars)	Forecast Results 2019-20	Planned Results 2020-21
Expenses		
Taking Action on Clean Growth and Climate Change	\$ 822,394	\$ 849,719
Preventing and Managing Pollution	423,651	436,196
Conserving Nature	326,332	337,789
Predicting Weather and Environmental Conditions	296,730	295,678
Internal Services	276,249	237,995
Total Expenses	2,145,356	2,157,377
Revenues		
Sales of goods and services	80,987	79,287
Other revenues	34,792	37,812
Revenues earned on behalf of Government	(11,694)	(11,726)
Total Revenues	104,085	105,373
Net cost of operations before government funding and transfers	\$ 2,041,271	\$ 2,052,004

The accompanying notes form an integral part of the Future-Oriented Statement of Operations.

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NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

1. Methodology and Significant Assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2019-20 is based on actual results as at December 31, 2019 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2020-21.

The main assumptions underlying the forecasts are as follows:

- (a) The department's activities will remain substantially the same as in the previous year;
- (b) 2019-20 estimated expenses and revenues, including the determination of amounts internal and external to the government, are based on historical data and trends, up-to-date Annual Reference Level Update (ARLU) information, budget implementation, supplementary estimates and carry-forward funding. The general historical pattern is expected to continue;
- (c) 2020-21 planned expenses and revenues, including the determination of amounts internal and external to the government, are based on historical data and trends and up-to-date Annual Reference Level Update (ARLU) information. Figures for the planned results do not include items such as carry-forward funding. The general historical pattern is expected to continue; and
- (d) Estimated year end information for 2019-20 is used as the opening position for the 2020-21 forecasts.

These assumptions are made as at December 31, 2019.

2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2019-20 and for 2020-21, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, Environment and Climate Change Canada has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- (a) the timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense;
- (b) the implementation of new collective agreements;
- (c) economic conditions, which may affect both the amount of revenue earned and the collectability of loan receivables;
- (d) interest rates in effect at the time of issue, which will affect the net present value of non-interest-bearing loans; and
- (e) other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, Environment and Climate Change Canada will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

3. Summary of Significant Accounting Policies

The Future-Oriented Statement of Operations has been prepared using Government of Canada's accounting policies in effect for fiscal year 2019-20, and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

Other expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets or liabilities, such as provisions for bad debts, loans, investments and advances and inventory obsolescence, as well as utilization of inventories and prepaid expenses, and other are also included in other expenses.

(b) Revenues

Revenues from regulatory fees are recognized based on the services provided in the fiscal year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge the department's liabilities. Although the deputy head is expected to maintain accounting control, he or she has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the department's gross revenues.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

4. Parliamentary Authorities

The Department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the department differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to requested authorities:

(in thousands of dollars)	Forecast Results 2019-20	Planned Results 2020-21
Net cost of operations before government funding and transfers	\$ 2,041,271	\$ 2,052,004
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(50,336)	(57,321)
Services provided without charge by other government departments	(110,171)	(110,170)
Refunds/adjustments to previous years' expenses	3,577	3,782
Decrease (increase) in accrued liabilities not charged to authorities	6,570	5,453
Decrease (increase) in vacation pay and compensatory leave	(2,642)	691
Decrease (increase) in employee future benefits	(592)	2,009
Increase (decrease) in inventory	(693)	(497)
Decrease (increase) in other liabilities	(7,650)	(3,658)
Total items affecting net cost of operations but not affecting authorities	(161,937)	(159,711)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	109,541	89,794
Decrease in lease obligations for tangible capital assets	839	886
Total items not affecting net cost of operations but affecting authorities	110,380	90,680
Requested authorities forecasted to be used	\$ 1,989,714	\$ 1,982,973

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

4. Parliamentary Authorities (continued)

(b) *Authorities requested:*

(in thousands of dollars)	Forecast Results for 2019-20	Planned Results for 2020-21
Authorities requested		
Vote 1 - Operating expenditures	\$ 883,255	\$ 858,314
Vote 5 - Capital expenditures	109,541	89,793
Vote 10 - Grants & Contributions	790,088	829,882
Statutory amounts	206,830	204,984
Total authorities requested	\$ 1,989,714	\$ 1,982,973

Requested authorities for the year ending March 31, 2021 are the planned spending amounts presented in the 2020-21 Departmental Plan. Requested authorities for the year ending March 31, 2020 include amounts presented in the 2019-20 Main Estimates, Budget Implementation and Supplementary Estimates (B) as well as the carry-forward funding.