Office of Infrastructure of Canada
Quarterly Financial Report for the quarter ended September 30, 2022

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

Introduction

This 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. This quarterly report should be read in conjunction with the Main Estimates as well as *Budget 2022*.

The key to building Canada for the 21st century is a strategic and collaborative long-term infrastructure plan that builds economically vibrant, strategically planned, sustainable and inclusive communities. Infrastructure Canada (INFC) works closely with all orders of government and other partners to enable investments in social, green, public transit and other core public infrastructure, as well as trade and transportation infrastructure.

Further information on INFC's mandate, responsibilities, and programs can be found in INFC's 2022-23 Main Estimates.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes INFC's spending authorities granted by Parliament and those used by INFC consistent with the Main Estimates and Supplementary Estimates for the 2022-23 fiscal year (FY). 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 monies 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.

INFC 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.

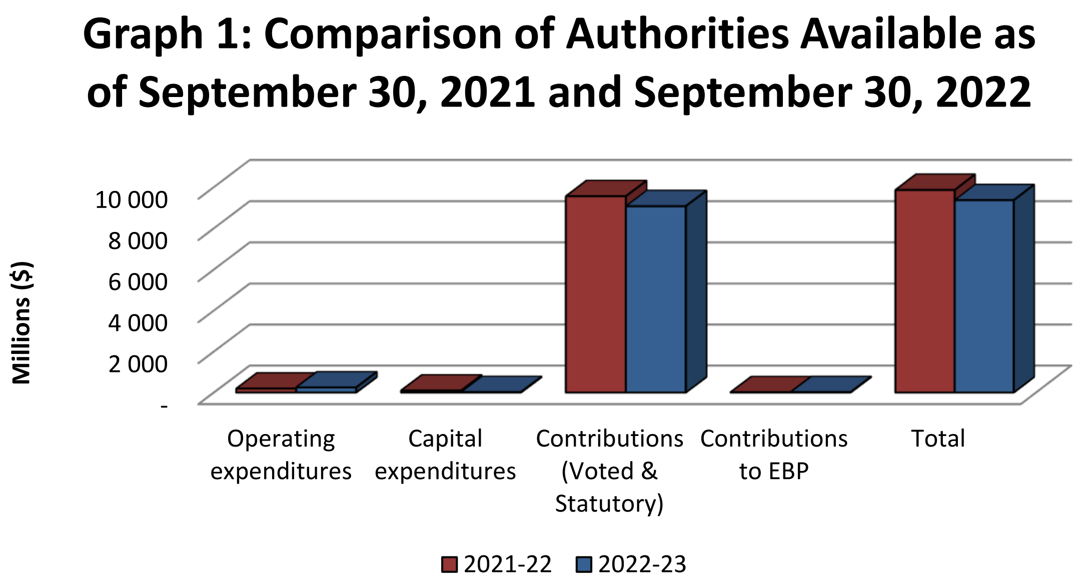
In the past, INFC has worked in collaboration with other federal departments and agencies to deliver some of its transfer payment programs (collectively known as federal delivery partners) and that remains accurate for the 2022-23 fiscal year.

It should be noted that this quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the change in resources available for use from 2021-22 to 2022-23 and in actual expenditures from 2021-22 to 2022-23 as at September 30th (second fiscal quarter).

Authorities



As shown in the Statement of Authorities, INFC's total authorities available for 2022-23 are $9.37 billion as of the end of Quarter 2 (Q2) and represent a $0.50 billion decrease compared to the same quarter in the prior year (PY).

This decrease is summarized in the table below:

Table 1: Year-to-date change in total authorities as of September 30, 2022	
Authorities	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	57,469
Capital Expenditures	(74,195)
Contributions (Voted and Statutory)	(483,938)
Contributions to Employee Benefit Plans (EBP)	3,774

The sources of significant year-over-year changes are summarized as follows:

- **Operating Expenditures** – The increase is due to funding received to deliver the new programs announced through the 2020 Fall Economic Statement and Budget 2021 as well as the mandated transfer of the Housing and Homelessness portfolio under the responsibility of Minister Hussen from the Department of Employment and Social Development (ESDC) to Infrastructure Canada.
- **Capital Expenditures** – The decrease in capital funding is related to sunsetting funding in 2021-22 for land purchases tied to the Gordie Howe International Bridge project and to the Samuel de Champlain Bridge Corridor project which is scheduled to complete in late 2022.
- **Contributions (Voted and Statutory)** – The net decrease is attributable to the Canada Community Building Fund top-up sunsetting in 2021-22 and offset by an increase tied to new programming, the addition of Reaching Home: Canada's Homelessness Strategy as well as other existing programs.
- **Contributions to Employee Benefit Plans** – This increase is reflective of the growth in full time equivalents (FTEs) associated with the new Programs listed in the Operating Expenditures section and INFC's expanded mandate.

Expenditure Analysis

Expenditures at the end of Q2 were $2.40 billion, compared to $5.47 billion reported in the same period of 2021-22, representing an decrease of 56% between Q2 of the two years. The source of the relative decrease is demonstrated in the tables, graphs and analysis below.

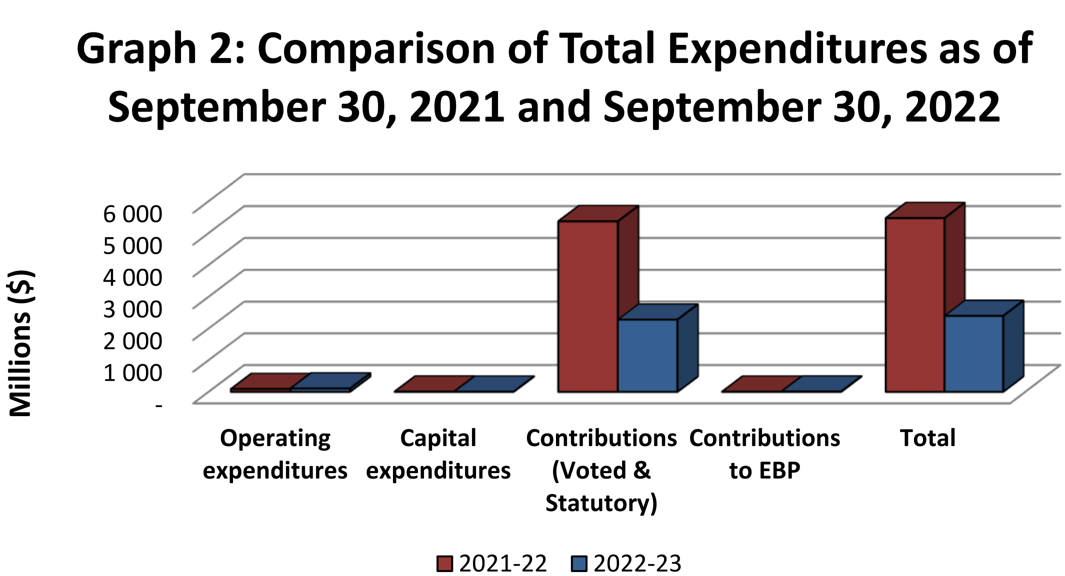


Table 2: Change in year-to-date expenditures as of September 30, 2022	
Year-to-date expenditures	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	15,636
Capital Expenditures	(2,059)
Contributions (Voted and Statutory)	(3,091,420)
Contributions to Employee Benefit Plans	4,128

The sources of significant year-over-year changes are summarized as follows:

- **Operating and Capital Expenditures** – Further details by standard object are provided in table 4 later in this report.
- **Contributions (Voted and Statutory)** – Further details by program are provided in table 3 below.
- **Contributions to Employee Benefit Plans** – The increase in INFC's contribution to the Employee Benefit Plan is directly attributable to an increase in the number of full-time equivalents (FTEs) currently employed at INFC.

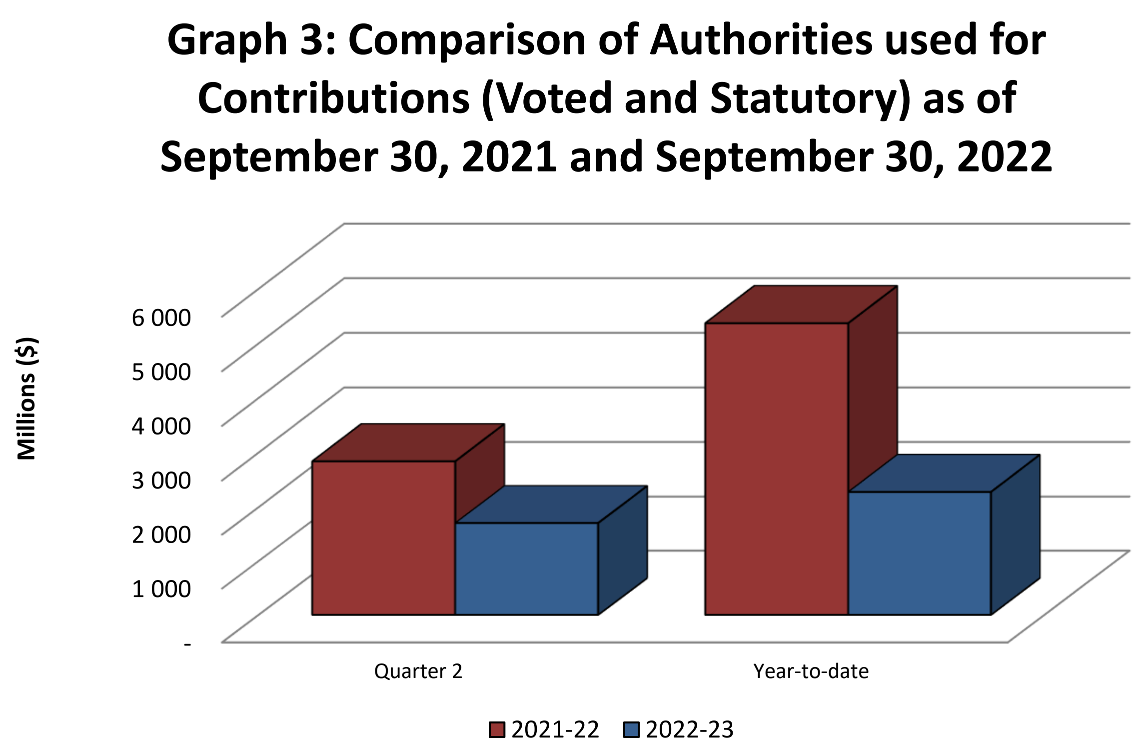


Table 3 below shows the most significant changes in year-to-date contribution expenditures by program between September 2021 and September 2022:

Table 3: Change in year-to-date expenditures by contribution program as of September 30, 2022	
Program Fund	**Increase/(Decrease) vs. Prior Year-to-date** (000's)*
Reaching Home (RH)	498,912
Investing in Canada Infrastructure Program - COVID-19 Resilience Stream (ICIP – CVRIS)	122,970
Disaster Mitigation and Adaptation Fund (DMAF)	37,114
New Building Canada Fund-Provincial-Territorial Infrastructure Component-Small Communities Fund (NBCF-PTIC-SCF)	(17,745)
Building Canada Fund-Major Infrastructure Component (BCF-MIC)	(17,996)
Investing in Canada Infrastructure Program - Public Transit Infrastructure Stream (ICIP - PTIS)	(24,695)
Clean Water Wastewater Fund (CWWF)	(36,500)
Public Transit Infrastructure Fund (PTIF)	(107,823)
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP)	(211,298)
Canada Community-Building Fund (CCBF)	(3,355,599)

*Note: The table shows the most significant changes which account for a net decrease of $3.11B of the total $3.09B year to date change.

The sources of significant year-over-year changes are summarized as follows:

- **Reaching Home (RH)** – RH is a new program transferred from Employment and Social Development Canada (ESDC) to Infrastructure Canada (INFC) at the beginning of this fiscal year. There was no spending by 2nd quarter at INFC last year.
- **Investing in Canada Infrastructure Program - COVID-19 Resilience Stream (ICIP – CVRIS) -** With projects well underway, the CVRIS stream of ICIP has received more claims by the 2nd quarter of FY2022-23, particularly from Quebec and Alberta.
- **Disaster Mitigation and Adaptation Fund (DMAF)** – The increase is due to more claims received by September 2022, particularly from Alberta, Ontario and Quebec.
- **New Building Canada Fund-Provincial-Territorial Infrastructure Component-Small Communities Fund (NBCF-PTIC-SCF)** – fewer claims have been received by 2nd quarter of FY2022-23.
- **Building Canada Fund-Major Infrastructure Component (BCF-MIC)** – Fewer claims have been received for this sunsetting program by the 2nd quarter of FY2022-23.

- **Investing in Canada Infrastructure Program - Public Transit Infrastructure Stream (ICIP - PTIS)** – Decrease mainly due to reduced claims in the Quebec region, offset by a slight increase in the West region, based on progress of Public Transit projects across Canada.
- **Clean Water Wastewater Fund (CWWF) –** PTIF and CWWF are coming to the end of their life cycle with the majority of projects approaching completion by 2023-24.
- **New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP)** – Compared to FY2021-22, fewer claims have been received by the 2nd quarter of FY2022-23.
- **Canada Community-Building Fund (CCBF)** – $3.4B decrease is a result of two factors. First, a $2.2B top-up payment was released by 2nd quarter in FY2021-22 in addition to the regular CCBF annual payment. Second, FY2021-22 payments were provided in one lump-sum at the beginning of year instead of the regular biannual schedule due to the pandemic. CCBF payments are back to a regular schedule in FY2022-23. Only the first half of the payments have been made by 2nd quarter of FY2022-23.

Departmental Budgetary Expenditures by Standard Object

The planned Departmental Budgetary Expenditures by Standard Object are set out in the table at the end of this report. Aggregate year-to-date expenditures in 2022-23 decreased by $3.1 billion, compared with the same quarter last year. The largest single factor was an decrease in transfer payments as explained above.

A breakdown of variances in year-to-date spending by standard object is below:

Table 4: Change in year-to-date expenditures by standard object as of September 30, 2022

Changes to Expenditures by Standard Object	Increase/(Decrease) vs. Prior Year-to-date (000's)
Personnel	22,202
Transportation and communications	(16)
Information	61
Professional and special services	(5,949)
Rentals	289
Repair and maintenance	235
Utilities, materials and supplies	22
Acquisition of land, buildings and works	187

Acquisition of machinery and equipment	857
Transfer payments	(3,091,420)
Public debt charges	(187)
Other subsidies and payments	5

The sources of significant year-over-year changes are summarized as follows:

- **Personnel** – Increase in the number of employees associated with new Programs and the mandated transfer of the Housing and Homelessness portfolio.
- **Professional and special services** – The decrease is mainly due to engineering consultation costs related to payments for the Réseau Express Métropolitain (REM) project which are reimbursed based on an agreement between REM Inc, and INFC.
- **Transfer payments –** Details were previously discussed.
- **Acquisition of machinery and equipment** – Increase due to the purchase of computer equipment to accommodate the new employees.

Overall, INFC has spent 26% of its current Total Authorities as of September 30, 2022, compared to 56% at the end of Q2 of the previous fiscal year.

Risks and Uncertainties

As part of the Department's corporate risk management function, the Department regularly monitors and identifies strategic risks that may affect the delivery of the Department's mandate and expected results. INFC integrates risk management principles into strategic business planning, results-based management, decision-making and organizational processes to support the achievement of departmental priorities. Risk management at INFC is carried out in accordance with the Treasury Board Secretariat's (TBS) Framework for the Management of Risk, TBS's Guide to Integrated Risk Management, the Management Accountability Framework, and INFC's Integrated Risk Management policy.

One of the Department's key financial risks pertains to INFC's capacity to establish sustainable tools and processes for decision-making on the Flow of Funding.

There are many steps between when funding is announced in the budget and project construction starts that impact the flow of funding. In most cases, INFC funds projects via a Contribution Agreement with the ultimate recipient or Integrated Bilateral Agreement between Canada and a Provincial/Territorial (PT) government. PT governments then enter into their own agreements with municipalities, who are ultimately responsible for project management and construction of the infrastructure. Most of INFC's programs are structured in such a way that funding flows from the Department based on requests for reimbursements. It is important to note that federal spending is not an accurate measure of when the economic activity created by infrastructure spending occurs. When projects are approved, work begins and economic activity is generated by provinces, territories and municipalities, which are responsible for implementing projects and incurring costs. INFC makes the federal contribution only when requested by partners.

There may be delays between when infrastructure activity occurs and when INFC is able to flow funds which is when recipients submit their claims. The ongoing misalignment between authorities and expenditures can result in delays in flowing federal funding. There are a variety of reasons that can affect the timing of requests for reimbursements, which can contribute to a variance between planned spending and actual spending. Some projects, once approved, move quickly into the construction phase while others have longer lead times for planning, and local approval processes (e.g. zoning and permitting). Regardless of how long planning takes or how soon ground can break, eligible costs can be submitted for reimbursement throughout the life of the project. INFC encourages PTs to submit claims in a timely manner to ensure the flow of funding as planned. Parliamentary authority to spend typically expires at the end of the fiscal year; however, in response to the needs of its project partners, INFC reprofiles its authorities as needed so that the funding committed to specific projects continues to be available in future years when needed.

INFC is ramping up its capacity to manage the recent addition of a new mandate and GoC priority (Housing and Homelessness). This is coupled with the rapid growth of the Department's programming in the last few years as INFC has launched an unprecedented number of new programming in 2021 and new recently approved programs through the 2021 Fall Economic Statement and Budget 2022. The latter brought with it the decision to expedite the delivery of ICIP. All these changes could have a potential impact on both the flow of funding and the anticipated workload.

INFC has worked with provinces and territories to introduce improvements to the flow of funding processes to better align authorities of existing programs to expenditures and improve predictability of high materiality projects. It also used lessons learned from legacy programs to introduce additional flexibilities in the design of new programs such as flexibility in funding mechanism and basis of payments. Further, mandatory biannual reporting requirements and claim frequencies are being directly imbedded within agreement templates for new programs which will likely accelerate the claims process once agreements are approved and improve forecasting accuracy. These efforts should yield important impacts over the coming years.

Significant Changes in Relation to Operations, Personnel and Programs

Infrastructure Canada continues to grow and evolve. Since the last Quarterly Financial Report, the following significant change has taken place within the department:

- INFC secured an additional $7M over 2 years to further advance the High Frequency Rail (HFR) project that proposes to build a 1000+ kilometer (km) intercity passenger rail network on mostly dedicated tracks in Canada's busiest and densest travel corridor, as well as allow for small strategic studies/projects to protect the future HFR route.

INFC is committed to making infrastructure investments that support economic growth and job creation, help combat the effects of climate change, and build inclusive communities. While COVID-19 has not changed these priorities, the Department is focused on doing more with its existing resources and building back better. As current programs are adapted and a suite of new programming is launched, resource management practices and sound financial stewardship are key and center in ensuring successful delivery. Although recipients continue to experience constraints resulting from COVID-19 which affect the implementation of new projects, INFC is committed to provide funding to them in a timely fashion.

Therefore INFC is focusing efforts on attracting and retaining employees with the skill sets and experience necessary to fulfil the department's evolving mandate, and on implementing additional flexibilities to allow provinces and territories more time for the completion of projects under several programs. For example, the ICIP COVID-19 stream has been extended to allow projects by provinces to be completed by December 31st, 2023 and projects in the territories and in remote communities must be completed by December 31st, 2024.

Approval by Senior Officials

Approved by:

Kelly Gillis	Nathalie Bertrand
Deputy Head	Chief Financial Officer

Signed at Ottawa, Canada