



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2020-21



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

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 2020-21 Main Estimates.

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, including taking action on clean growth and climate change. The Department is also engaged in activities aimed at preventing and managing pollution, conserving nature, and predicting weather and environmental conditions. 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 program focus reflects the interdependence between environmental sustainability and economic well-being.

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
- the enforcement of rules and regulations

A summary description of the ECCC Raison d'être and core responsibilities 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 for the 2020-21 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 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 September 30, 2020.

ECCC's total available authorities for use for the year ending March 31, 2021 is lower by approximately \$261.7M (\$1,590.4M - \$1,852.1M)¹ when compared to the same quarter of the previous year. This decrease is mainly due to the reduced supply of the Main Estimates. Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study supply, funding available for ECCC use reflects 9/12ths of the 2020-21 Main Estimates. ECCC is expected to receive full supply for the 2020-21 Main Estimates in December 2020.

The decrease of \$261.7M includes a diminution in Vote 1 – Net Operating of \$187.7M (\$671.8M - \$859.5M), in Vote 5 – Capital of \$29.7M (\$79.8M - \$109.5M), in Vote 10 – Grants and Contributions of \$165.3M (\$622.4 - \$787.7M) and an increase in Budgetary Statutory authorities of \$121.0M (\$216.4M - \$95.4M).

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

Vote 1 – Net Operating authorities

The \$187.7M decrease compared to last fiscal year in the net Operating authorities is mainly due to a decrease of \$214.6M related to the reduced supply of 9/12 for the 2020-21 Main Estimates, whereas Full supply was provided last year. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as the Federal Contaminated Sites Action Plan, National Zero Waste Plastic Strategy, Adapting Canada's Weather and Water Services to Climate Change, Trans Mountain Expansion Project, Low Carbon Economy Fund, Implementing a Federal Carbon Offset System, as well as compensation allocations from TBS related to the new collective agreements and the Operating Budget Carry Forward.

Vote 5 – Capital authorities

The \$29.7M decrease compared to last fiscal year in the Capital authorities is mainly due to a decrease of \$22.4M related to the reduced supply of 9/12 for the 2020-21 Main Estimates, whereas Full supply was provided last year. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Strong Arctic and Northern Communities, Revitalization of Canada's Weather Services, Adapting Canada's Weather and Water Services to Climate Change and the Capital Budget Carry Forward.

Vote 10 – Grants and contributions authorities

The \$165.3M decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due a decrease of \$207.5M related to the reduced supply of 9/12 for the 2020-21 Main Estimates, whereas Full supply was provided last year. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Low Carbon Economy Fund, National Zero Waste Plastic Strategy, Protecting Canada's Nature, Parks and Wild Spaces, Clean Growth and Climate Change, Trans Mountain Expansion Project and Species at Risk Act (SARA).

Statutory authorities

The \$121.0M increase compared to last fiscal year in the Budgetary statutory authorities is due to the following:

- \$109.2M increase in Statutory Grants and Contributions related to the Climate Action Incentive Fund;
- \$11.3M increase in Statutory Operating and Grants and Contributions related to the funding for the Youth Employment and Skills Strategy (YESS) to support the Students during COVID-19; and
- \$0.5M increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by vote

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

In the second quarter of 2020-21, total budgetary expenditures were \$294.2M compared to \$268.9M reported for the same period in 2019-20, resulting in an increase of \$25.3M. Year to date expenditures as of September 30, 2020 are \$553.8M, which represents an increase of \$51.2M (\$553.8M - \$502.6M) compared to the same period in 2019-20.

Vote 1 – Net Operating authorities used during the second quarter of 2020-21 totalled \$203.1M, which represents a decrease of \$2.6M (\$203.1M - \$205.7M) compared to the same quarter in 2019-20. Year to date expenditures as of September 30, 2020 are \$397.2M which represents a decrease of \$0.9M (\$397.2M – \$398.1M) compared to the same period in 2019-20. These variances are mainly due to a decrease in travel expenditures, professional and special services, utilities, material and supplies expenditures and revenue offset by an increase in salary wages and rentals expenditures.

Vote 5 – Capital authorities used during the second quarter of 2020-21 totalled \$16.7M, which represents an increase of \$0.7M (\$16.7M – \$16.0M) compared to the same quarter in 2019-20. Year to date expenditures as of September 30, 2020 are \$21.8M, which represents an increase of \$1.5M (\$21.8M - \$20.3M) compared to the same period in 2019-20. Variances are mainly due to an increase in engineering consulting fees for various construction activities.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2020-21 totalled \$26.3M, which represents an increase of \$3.7M (\$26.3M - \$22.6M) compared to the same quarter in 2019-20. Year to date expenditures as of September 30, 2020 are \$62.8M, which represents an increase of \$26.9M (\$62.8M - \$35.9M) compared to the same quarter in 2019-20. These variances are mainly due to the timing of payments submitted for initiatives such as the Low Carbon Economy Fund, Protecting Canada’s Nature, Parks & Wild Spaces, Youth Employment and Skills Strategy and Clean Growth and Climate Change.

Budgetary Statutory - Statutory authorities used during the second quarter of 2020-21 totalled \$48.1M, which represents an increase of \$23.5M (\$48.2M - \$24.7M) compared to the same quarter in 2019-20. Year to date expenditures as of September 30, 2020 are \$72.0M, which represents an increase of \$23.7M (\$72.0M - \$48.3M) compared to the same period in 2019-20. These variances are mainly due to the Statutory Youth Employment and Skills Strategy (YESS) program created to support the students during COVID-19 and the Statutory Grants and Contributions related to the Climate Action Incentive Fund with respective yearly increases of \$11.2M (\$11.2M - \$0M) and \$12.8M (\$12.8M - \$0M).

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 \$6.4M (\$194.2M - \$187.8M) and \$17.4M (\$385.0M – \$367.6M) compared to the same period last year. Both variances are mainly due to an increase in salary wages due to renewed collective agreements.

Quarterly and year to date Transportation and communications expenditures have decreased respectively by \$6.9M (\$2.4M - \$9.3M) and by \$14.3M (\$3.3M - \$17.6M) compared to the same period last year. Both decreases are mainly explained by a reduction in travel expenditures due to travel restrictions put in place to stem the spread of COVID-19.

Quarterly and year to date Professional and special services expenditures have decreased respectively by \$5.2M (\$30.7M - \$35.9M) and by \$7.5M (\$48.2M - \$55.7M) compared to the same period last year. The quarterly decrease is mainly attributable to a fluctuation in funding for the Federal Contaminated Sites Action Plan. Year to date decrease is also explained by a reduction in translation services as well as in occupational and second language training.

Quarterly and year to date Rentals expenditures have increased respectively by \$8.1M (\$12.9M - \$4.8M) and by \$10.3M (\$29.3M - \$19.0M) compared to the same period last year. The variance is mainly due to the retroactive lease payment for the Pacific Environmental Center (PEC).

Quarterly Utilities, Materials and Supplies have decreased respectively by \$3.2M (\$4.3M - \$7.5M) and by \$4.4M (\$8.5M - \$12.9M) compared to the same period last year. Both decreases are mainly attributable to a reduction in office and laboratory supplies and the timing in payments for utilities.

Quarterly Transfer payments expenditures have increased by \$27.7M (\$50.3M - \$22.6M) compared to the same quarter last year. This increase is mainly due to statutory contribution payments for the Youth Employment and Skills Strategy (YESS) program to support students during COVID-19 and the Statutory Grant and Contribution payments for the Climate Action Incentive Fund. Year to date Transfer payments expenditures have increased by \$50.8M (\$86.7M - \$35.9M) compared to the same period last year. This is mainly due to the timing of payments submitted for initiatives such as the Low Carbon Economy Fund, Protecting Canada's Nature, Parks & Wild Spaces, Clean Growth and Climate Change and the Youth Employment and Skills Strategy.

Year to date Revenue collections have decreased by \$6.3M (\$20.3M - \$26.6M) compared to the same period last year. The variance is mainly due to the timing of collection related to the multi-year agreement with NAV Canada for the provision of meteorological services.

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.

A wide range of internal and external factors have the potential to affect ECCC's ability to deliver results for Canadians, including the increasing frequency of severe weather events and associated impacts on infrastructure and fieldwork, and the expectation to consult and collaborate with federal, provincial, territorial, Indigenous, and other partners to address common environmental challenges. In its financial

management, the Department considers and addresses these factors and their potential impact related to the department's financial plan.

Due to the COVID-19 pandemic, ECCC has prioritized the support of critical services, while a large proportion of its employees have been asked to work remotely. ECCC has reviewed its policies and procedures to determine and implement necessary adjustments in the short term to support the delivery of services. A governance structure has been implemented to manage the departmental response including the ongoing prioritization of deliverables. This has allowed the Department to adjust quickly to new operational realities as the COVID-19 pandemic continue to evolve.

The department is required to manage its operations and programs with reduced financial authorities as only 9/12 of the supply for 2020-21 Main Estimates has been approved by Parliament. The remaining supply is expected to be approved in December 2020.

ECCC will continue to closely monitor its operating environment in order to reallocate resources to key priorities and ensure that resources are being managed effectively to deliver results.

Significant changes in relation to operations, personnel and programs

The following major changes in relations to operations, personnel and programs occurred during the first quarter:

- In line with guidance provided by Treasury Board of Canada Secretariat in response to the COVID-19 pandemic, the Government of Canada has asked that employees work from home whenever and wherever possible. The department has identified essential and critical services and related supporting resources to ensure continued critical government operations and services to Canadians.

Approved by:

(Original signed by) _____

T. Christine Hogan,

Deputy Minister

Gatineau, Canada

Date: November 23, 2020

(Original signed by) _____

Carol Najm,

Chief Financial Officer

Gatineau, Canada

Date: November 12, 2020

Statement of Authorities (unaudited) – Table 1

Fiscal year 2020-21 (in thousands of dollars)

	Total available for use for the year ending March 31, 2021*	Used during the quarter ended September 30, 2020	Year to date used at quarter end
Vote 1 – Net Operating expenditures	671,838	203,078	397,154
Vote 5 – Capital expenditures	79,842	16,703	21,803
Vote 10 – Grants and contributions	622,411	26,347	62,811
Budgetary Statutory – Employee Benefit Plans	95,747	23,937	47,874
Budgetary Statutory – Climate Action Support Payments (Climate Action Incentive Fund)	109,148	12,844	12,844
Budgetary Statutory – Expanded Youth Employment and Job Skills (Supporting Students during COVID-19)	11,339	11,156	11,156
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	89	22	45
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	116	116
Total Budgetary authorities	1,590,414	294,203	553,803
Non-Budgetary authorities	-	-	-
Total authorities	1,590,414	294,203	553,803

* The funding available for use reflects 9/12ths of the 2020-21 Main Estimates and includes the Operating and Capital budget carry-forwards as well as the funding to support the Students during COVID-19. Full supply for the 2020-21 Main Estimates is expected in December 2020. Authorities for Supplementary Estimates will follow later this year.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2019-20 (in thousands of dollars)

	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year to date used at quarter end
Vote 1 – Net Operating expenditures	859,477	205,664	398,094
Vote 5 – Capital expenditures	109,541	15,988	20,269
Vote 10 – Grants and contributions	787,709	22,621	35,891
Budgetary Statutory – Employee Benefit Plans	95,294	23,620	47,241
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	88	22	44
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	1,016	1,035
Total Budgetary authorities	1,852,109	268,931	502,574
Non-budgetary authorities	-	-	-
Total authorities	1,852,109	268,931	502,574

* The funding available for use includes the 2019-20 Main Estimates and the Operating and Capital budget carry-forwards and will be updated with Supplementary Estimates in the subsequent QFR.

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

Fiscal year 2020-21 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2021*	Expended during the quarter ended September 30, 2020	Year to date used at quarter end
Expenditures:			
Personnel	606,452	194,218	384,957
Transportation and communications	37,026	2,420	3,291
Information	5,373	862	1,350
Professional and special services	162,034	30,676	48,221
Rentals	27,177	12,934	29,314
Repair and maintenance	15,230	1,982	2,758
Utilities, materials and supplies	34,933	4,315	8,465
Acquisition of land, buildings and works	847	49	67
Acquisition of machinery and equipment	33,089	4,405	6,409
Transfer payments	742,619	50,252	86,715
Public debt charges	444	0	0
Other subsidies and payments	5,957	2,671	2,605
Total gross budgetary expenditures	1,671,181	304,784	574,152
Less Revenues netted against expenditures:			
Revenues	80,767	10,581	20,349
Total Revenues netted against expenditures:	80,767	10,581	20,349
Total net budgetary expenditures	1,590,414	294,203	553,803

* The planned expenditures available for use reflect 9/12ths of the 2020-21 Main Estimates and include the Operating and Capital budget carry-forwards as well as the funding to support the Students during COVID-19. Full supply for the 2020-21 Main Estimates is expected in December 2020. Authorities for Supplementary Estimates will follow later this year.

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

Fiscal year 2019-20 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended September 30, 2019	Year to date used at quarter end
Expenditures:			
Personnel	725,212	187,828	367,574
Transportation and communications	36,863	9,278	17,588
Information	6,881	1,790	2,562
Professional and special services	222,095	35,922	55,733
Rentals	33,611	4,819	19,006
Repair and maintenance	29,398	3,496	4,754
Utilities, materials and supplies	43,230	7,466	12,919
Acquisition of land, buildings and works	1,095	31	107
Acquisition of machinery and equipment	44,194	4,241	6,875
Transfer payments	787,709	22,621	35,891
Other subsidies and payments	4,330	3,883	6,164
Total gross budgetary expenditures	1,934,618	281,376	529,173
Less Revenues netted against expenditures:			
Revenues	82,509	12,445	26,598
Total Revenues netted against expenditures:	82,509	12,445	26,598
Total net budgetary expenditures	1,852,109	268,931	502,574

* The planned expenditures available for use include the 2019-20 Main Estimates and the Operating and Capital budget carry-forwards and will be updated with Supplementary Estimates in the subsequent QFR.