



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2021-22



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 2021-22 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 2021-22 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, 2021.

ECCC's total available authorities for use for the year ending March 31, 2022 is higher by approximately \$254.1M (\$1,844.5M - \$1,590.4M)¹ when compared to the same quarter of the previous year. This increase is mainly due to the inclusion of the Full Supply for the 2021-22 Main Estimates and Supplementary Estimates A received by the second quarter of 2021-22, whereas only 9/12ths of the Main Estimates and no Supplementary Estimates were received by the second quarter of 2020-21.

The increase of \$254.1M includes an increase in Vote 1 – Net Operating of \$260.7M (\$932.5M - \$671.8M), in Vote 5 – Capital of \$44.4M (\$124.2M - \$79.8M), in Vote 10 – Grants and Contributions of \$63.4M (\$685.8M - \$622.4M) and a decrease in Budgetary Statutory authorities of \$114.4M (\$102.0M - \$216.4M).

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

Vote 1 – Net Operating authorities

The \$260.7M increase compared to last fiscal year in the net Operating authorities is mainly due to an increase of \$230.4M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received by the second quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received by the second quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as the Federal Contaminated Sites Action Plan, Modernize the Enforcement of Environmental Laws and Regulations and Protecting Canada's Nature, Parks and Wild Spaces.

Vote 5 – Capital authorities

The \$44.4M increase compared to last fiscal year in the Capital authorities is mainly due to an increase of \$37.2M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received by the second quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received by the second quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Strong Artic and Northern Communities, Revitalization of Canada's Weather Services and Retrofit of the Global Atmosphere Watch Observatory in Alert, Nunavut and the Capital budget carry-forward.

Vote 10 – Grants and contributions authorities

The \$63.4M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to an increase of \$62.1M related to the inclusion of the Full Supply for the Main Estimates and Supplementary Estimates A received by the second quarter of 2021-22, whereas only a partial allocation of 9/12ths of the Main Estimates and no Supplementary Estimates were received by the second quarter of 2020-21. The remaining variance is attributable to fluctuations in the funding profile for various initiatives such as Protecting Canada's Nature, Parks and Wild Spaces, Clean Growth and Climate Change and the Low Carbon Economy Fund.

Statutory authorities

The \$114.4M decrease compared to last fiscal year in the budgetary statutory authorities is mainly due to the following:

- \$109.1M decrease in Statutory Grants and Contributions related to the Climate Action Incentive Fund;
- \$11.4M decrease in Statutory Salary, O&M and Grants and Contributions related to the funding for Youth Employment and Skills Strategy (YESS) to support students during COVID-19; and
- \$6.1M 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 2021-22, total budgetary expenditures were \$279.8M compared to \$294.2M reported for the same period in 2020-21, resulting in an decrease of \$14.4M. Year to date expenditures as of September 30, 2021 are \$540.6M, which represents an decrease of \$13.2M (\$540.6M - \$553.8M) compared to the same period in 2020-21.

Vote 1 – Net Operating authorities used during the second quarter of 2021-22 totalled \$223.5M, which represents an increase of \$20.4M (\$223.5M - \$203.1M) compared to the same period last year. Year to date expenditures as of September 30, 2021 are \$425.2M, which represents an increase of \$28.0M (\$425.2M - \$397.2M) compared to the same period last year. These variances are mainly due to an increase in personnel and professional and special services offset by a decrease in rentals.

Vote 5 – Capital authorities used during the second quarter of 2021-22 totalled \$17.7M, which represents an increase of \$1.0M (\$17.7M – \$16.7M) compared to the same period last year. Year to date expenditures as of September 30, 2021 are \$25.2M, which represents an increase of \$3.4M (\$25.2M - \$21.8M) compared to the same period last year. The quarterly variance is mainly due to real property services. The year to date variance is also explained by an increase in engineering consulting fees related to initiatives associated with the revitalization of meteorological services.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2021-22 totalled \$14.4M, which represents a decrease of \$11.9M (\$14.4M - \$26.3M) compared to the same period last year. Year to date expenditures as of September 30, 2021 are \$41.8M, which represents a decrease of \$21.0M (\$41.8M - \$62.8M) compared to the same period last year. Both variances are attributable to the fluctuations in funding available for initiatives such as Low Carbon Economy Fund and Protecting Canada’s Nature, Parks and Wild Spaces. The year to date variance is also explained by the timing of payments submitted for initiatives such as Clean Growth and Climate Change.

Budgetary Statutory - Statutory authorities used during the second quarter of 2021-22 totalled \$24.2M, which represents an decrease of \$23.9M (\$24.2M - \$48.1M) compared to the same period last year. Year to date expenditures as of September 30, 2021 are \$48.4M, which represents an decrease of \$23.6M (\$48.4M - \$72.0M) compared to the same period last year. Both variances are 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 from 2020-21.

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 by \$15.2M (\$209.4M - \$194.2M) and \$26.0M (\$411.0M - \$385.0M) compared to the same period last year. Both variances are attributable to an increase in salary wages due to renewed collective agreements as well as to disbursements of

compensation for eligible employees impacted by the Phoenix pay system and disbursements of signing bonus following the ratification and signing of some collective agreements.

Quarterly and year to date Transportation and communications expenditures have increased by \$2.0M (\$4.4M - \$2.4M) and \$3.1M (\$6.4M - \$3.3M) compared to the same period last year. Both variances are mainly due to a increase in domestic travel expenditures and an increase in telecommunication expenditures related to the payment of Microsoft 365 licenses.

Quarterly and year to date Professional and special services expenditures have increased by \$8.4M (\$39.1M - \$30.7M) and \$15.0M (\$63.2M - \$48.2M) compared to the same period last year. The quarterly variance is mainly due to the timing in payments for various professional services and consulting fees. The quarterly and year to date variance are mainly due to an increase in information technology consulting fees and other professional services. The year to date variance is also due to an increase in engineering consulting fees related to initiatives associated with the revitalization of meteorological services and in cloud services related to Microsoft 365 licenses.

Quarterly and year to date Rentals expenditures have decreased by \$8.1M (\$4.8M - \$12.9M) and \$20.5M (\$8.8M - \$29.3M) compared to the same period last year. The quarterly variance is mainly attributable to the retroactive Squamish Nation's lease payment for the Pacific Environmental Centre (PEC) paid in 2020-21. The year to date variance is also explained by the timing of the PEC annual lease payment.

Quarterly and year to date Transfer payments expenditures have decreased by \$35.9M (\$14.4M - \$50.3M) and \$44.9M (\$41.8M - \$86.7M) compared to the same quarter last year. The quarterly variance 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 from 2020-21. The quarterly and year to date variances are also attributable to the fluctuations in funding available for initiatives such as Low Carbon Economy Fund and Protecting Canada's Nature, Parks and Wild Spaces. The year to date variance is also explained by the timing of payments submitted for initiatives such as Clean Growth and Climate Change and Youth Employment and Skills Strategy.

Quarterly and year to date Revenue collections have decreased by \$2.6M (\$8.0M - \$10.6M) and \$4.6M (\$15.7M - \$20.3M) compared to the same period last year. The quarterly variance is mainly due to a decrease in meteorological services provided to NAV Canada and sales of migratory game bird hunting permit as well as the timing of collections for the Disposal at Sea Program and for meteorological services provided to the Canadian Coast Guard. The year to date variance is also due to a decrease in activities related to the Oil Sands Monitoring Program.

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.

The Department addresses environmental challenges in a horizontal and collaborative environment, characterized by shared jurisdiction, various domestic and international partnerships, and increasing expectations for co-development of environmental solutions with Indigenous peoples. As a science-based department, ECCC's operations are highly complex, requiring access to unique skill sets, leading-edge and sustainable infrastructure, and data.

In this context, a wide range of internal and external factors have the potential to affect ECCC's ability to deliver optimal and timely results for Canadians, including the multiplicity of new and evolving priorities and commitments, the COVID-19 and post-pandemic related challenges and uncertainties, the evolving policy and legal landscape, the rising importance of climate change and need for nature-based solutions, as well as the need to keep pace with technological advancements. In its financial management, the Department considers and addresses these factors and their potential impacts on the department's financial plan.

The Department's ability to deliver results for Canadians on clean growth and climate change required extensive collaboration with federal, provincial, territorial, Indigenous, and international partners, as well as the private and non-profit sectors and civil society, to address common uncertainties in this area. Among other things, the Department continued to work collaboratively with key partners in implementing and building on the Pan-Canadian Framework on Clean Growth and Climate Change (PCF), as well as supporting strengthened Canada's climate plan engagement efforts as part of A Healthy Environment and a Healthy Economy.

To prevent and manage pollution across Canada, the Department addressed uncertainties regarding the development and implementation of environmental standards, guidelines, regulations and other risk management instruments to reduce releases and monitor levels of contaminants in air, water and soil, and to promote and enforce compliance with environmental laws and regulations. ECCC reviewed the ambient air quality standards for fine particulate matter, and proposed the establishment of more stringent standards. The Department finalized national regulations that will reduce pollution from petroleum and petrochemical facilities across the country.

The effective management and leveraging of information assets is critical to the Department's ability to conserve nature. COVID-19 restrictions impeded collaboration with external partners, the technical fieldwork needed to monitor wildlife populations, and the establishment of protected and conserved areas. A partnership has been built by the Canada Nature Fund to progress toward achieving Canada's biodiversity targets for conserving land and inland waters, and advance the protection and recovery of species at risk. ECCC continued to leverage its scientific data and Indigenous knowledge systems, and to adapt its approaches and programming to climate change and enforcement of legislation that facilitates conservation. ECCC has been proceeding with the implementation of the distinctions-based Indigenous Guardians Pilot Program with Indigenous peoples.

The Department relies on its capital and technological infrastructure to achieve its mandate and deliver mission-critical services. This infrastructure required maintenance and ongoing investment to prevent rust-out and to ensure functionality in the face of changing and increasingly complex needs. Seven new radar systems, installed in several communities across Canada, used the most modern technology available and provided more detailed information on precipitation type and storm structure, and allowed ECCC to give Canadians greater lead-time to protect themselves and their property.

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 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 continues to evolve.

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 optimal and timely results through improved programs, policies and services.

Significant changes in relation to operations, personnel and programs

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

- In August 2021, M. Paul Halucha was appointed Associate Deputy Minister at Environment and Climate Change Canada.

Approved by:

(the original version was signed by)

T. Christine Hogan,

Deputy Minister

Gatineau, Canada

Date: November 17, 2021

(the original version was signed by)

Linda Drainville,

Chief Financial Officer

Gatineau, Canada

Date: November 4, 2021

Statement of Authorities (unaudited) – Table 1

Fiscal year 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2022*	Used during the quarter ended September 30, 2021	Year to date used at quarter end
Vote 1 – Net Operating expenditures	932,490	223,461	425,249
Vote 5 – Capital expenditures	124,285	17,692	25,173
Vote 10 – Grants and contributions	685,762	14,386	41,752
Budgetary Statutory – Employee Benefit Plans	101,864	24,193	48,386
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	91	23	46
Total Budgetary authorities	1,844,492	279,755	540,606
Non-Budgetary authorities	-	-	-
Total authorities	1,844,492	279,755	540,606

* The funding available for use includes the 2021-22 Main Estimates, Supplementary Estimates A and the Operating and Capital budget carry-forwards.

Statement of Authorities (unaudited) – Table 2

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 ECCC 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 Students during COVID-19. Full supply for the 2020-21 Main Estimates was received in December 2020.

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

Fiscal year 2021-22 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended September 30, 2021	Year to date used at quarter end
Expenditures:			
Personnel	789,557	209,371	410,951
Transportation and communications	47,508	4,430	6,423
Information	8,535	2,226	2,988
Professional and special services	240,437	39,146	63,194
Rentals	33,702	4,822	8,772
Repair and maintenance	19,863	1,930	3,409
Utilities, materials and supplies	43,792	5,419	10,540
Acquisition of land, buildings and works	1,934	90	169
Acquisition of machinery and equipment	40,901	3,453	5,653
Transfer payments	685,762	14,387	41,753
Public debt charges	531	0	0
Other subsidies and payments	7,729	2,444	2,504
Total gross budgetary expenditures	1,920,251	287,718	556,356
Less Revenues netted against expenditures:			
Revenues	75,759	7,963	15,750
Total Revenues netted against expenditures:	75,759	7,963	15,750
Total net budgetary expenditures	1,844,492	279,755	540,606

* The planned expenditures available for use includes the 2021-22 Main Estimates, Supplementary Estimates A and the Operating and Capital budget carry-forwards.

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

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 ECCC 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 Students during COVID-19. Full supply for the 2020-21 Main Estimates was received in December 2020.