

The federal government has entered into a number of public-private partnerships (P3s) to design, build, finance and/or operate and maintain large infrastructure projects. Assets under construction totalled \$17.8 billion at March 31, 2018, some of which are being built using P3s in which the private sector finances the assets during construction. The Government's liability for these long-term financing arrangements is included in obligations under public-private partnerships reported in Note 8 of the consolidated financial statements.

The Government has a robust policy framework for the management of assets and acquired services. The framework sets the direction for management of assets to ensure the conduct of activities provides value for money and demonstrates sound stewardship in program delivery.

## Cash flow

The annual surplus or deficit is presented on an accrual basis of accounting, recognizing revenue in the period it is earned and expenses when incurred, regardless of when the associated cash is received or paid. In contrast, the Government's net cash flow measures the difference between cash coming in to the Government and cash going out.

In 2018, the Government had a total cash requirement of \$7.8 billion before financing activities, compared to a total cash requirement of \$27.1 billion before financing activities in 2017. Operating activities resulted in a net cash requirement of \$3.8 billion in 2018, compared to a net cash requirement of \$17.8 billion in 2017. Cash used by capital investment activities resulted in net cash requirement of \$9.0 billion in 2018, compared to a net cash requirement of \$7.4 billion in 2017. Cash provided by investing activities was \$5.0 billion in 2018, compared to a net cash requirement of \$1.9 billion in 2017.

## Cash flow

(in millions of dollars)

	2018	2017
Cash used by operating activities .....	(3,777)	(17,809)
Cash used by capital investment activities .....	(8,954)	(7,413)
Cash provided (used) by investing activities .....	4,978	(1,909)
<i>Total cash used before financing activities.....</i>	<i>(7,753)</i>	<i>(27,131)</i>
Cash provided by financing activities .....	5,895	25,061
Net decrease in cash and cash equivalents.....	(1,858)	(2,070)
Cash and cash equivalents at beginning of year.....	36,500	38,570
Cash and cash equivalents at end of year .....	34,642	36,500

Financing activities generated a \$5.9-billion source of cash in 2018, resulting in an overall net decrease in cash of \$1.9 billion. The level of cash and cash equivalents stood at \$34.6 billion at March 31, 2018.

## Contractual obligations and contractual rights

The nature of the Government's operations results in large multi-year contracts and agreements that will generate expenses, liabilities and cash outflows in future years. Major contractual obligations of the Government relate to transfer payments, capital assets and purchases, operating leases, public-private partnership arrangements, and payments to international organizations. As of March 31, 2018, future payments under contractual obligations totalled \$137.9 billion (\$121.7 billion as of March 31, 2017).

Similarly, the activities of government can also involve the negotiation of contracts or agreements with third parties that result in the government having rights to both assets and revenues in the future. These arrangements typically relate to sales of goods and services, leases of property, and royalties and profit-sharing arrangements. The terms of these contracts and agreements may not always allow for a reasonable estimate of revenues in the future. For contracts and agreements that do allow for a reasonable estimate, total revenues to be received in the future under major contractual rights are estimated at \$54.6 billion at March 31, 2018.

Further details regarding the Government's contractual obligations and contractual rights are provided in Section 11, Contractual obligations, contractual rights and contingent liabilities, of this volume.