

Western Economic Diversification Canada's Quarterly Financial Report for the quarter ended September 30, 2019

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs

Introduction

This quarterly financial report should be read in conjunction with the [Main Estimates](#). It has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. This quarterly report has not been subject to an external audit or review.

Authority, Mandate and Program Activities

Western Economic Diversification Canada (WD) is mandated to "promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy, program and project development and implementation."

The [Departmental Plan](#) and Main Estimates provide further information on WD's authority, mandate and program activities.

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 2019-2020 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.

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.

Financial Structure

WD manages its expenditures under two votes:

- Vote 1 – Net operating expenditures include salary, and other operating costs (e.g., transportation and communications; professional and special services).
- Vote 5 – Grants and contributions include all transfer payments.

Budgetary statutory authorities represent payments made under legislation approved by Parliament, and include items such as the Government of Canada's share of employee benefit plans and other minor items.

Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

The following section highlights significant changes to fiscal quarter results as of September 30, 2019.

Statement of Authorities: Vote 1 – Net Operating Expenditures

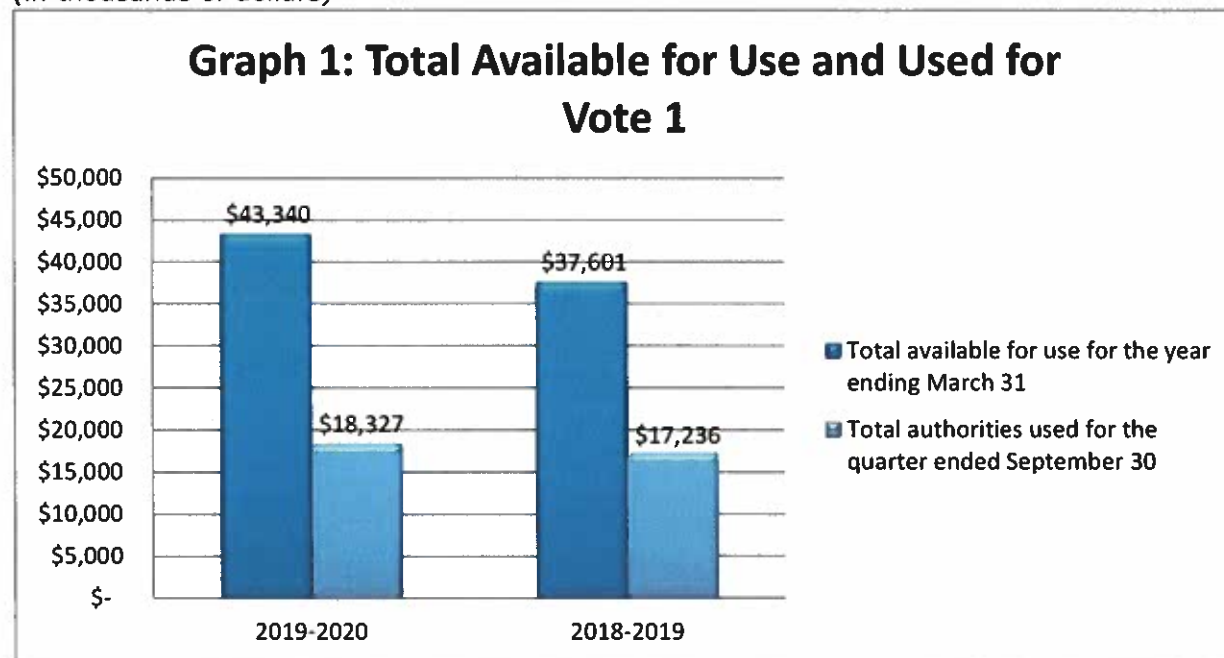
Total authorities available for use for fiscal year 2019-2020 are \$43.3 million, a net increase of \$5.7 million, or 15%, compared to the \$37.6 million for 2018-2019. The net increase is explained by:

- \$3.0 million increase to deliver programming for investing in a diverse and growing Western economy;
- \$1.1 million increase to deliver the Innovation and Skills Plan;
- \$1.0 million increase for protecting water and soil in the prairies;
- \$0.6 million increase for the salary allocations of the new collective bargaining agreements;
- \$0.3 million increase to deliver the Women Entrepreneurship Strategy;
- \$0.2 million increase to deliver the Canada Coal Transition Initiative;
- \$0.2 million increase for launching a federal strategy on jobs and tourism;
- \$0.5 million decrease in the operating budget carry forward, and
- \$0.2 million net decrease from other minor adjustments.

Total authorities used year-to-date increased to \$18.3 million for the quarter ended September 30, 2019, compared to \$17.2 million at September 30, 2018. The \$1.1 million increase, or 6%, is mainly explained by the increased salary costs to cover various transfer payment programming offset mainly by workplace 2.0 fit-up costs.

Graph 1 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



Statement of Authorities: Vote 5 – Grants and Contributions

Total authorities available for use for fiscal year 2019-2020 are \$261.6 million, a net increase of \$143.8 million, or 122%, compared to the \$117.8 million for 2018-2019. The net increase is explained by:

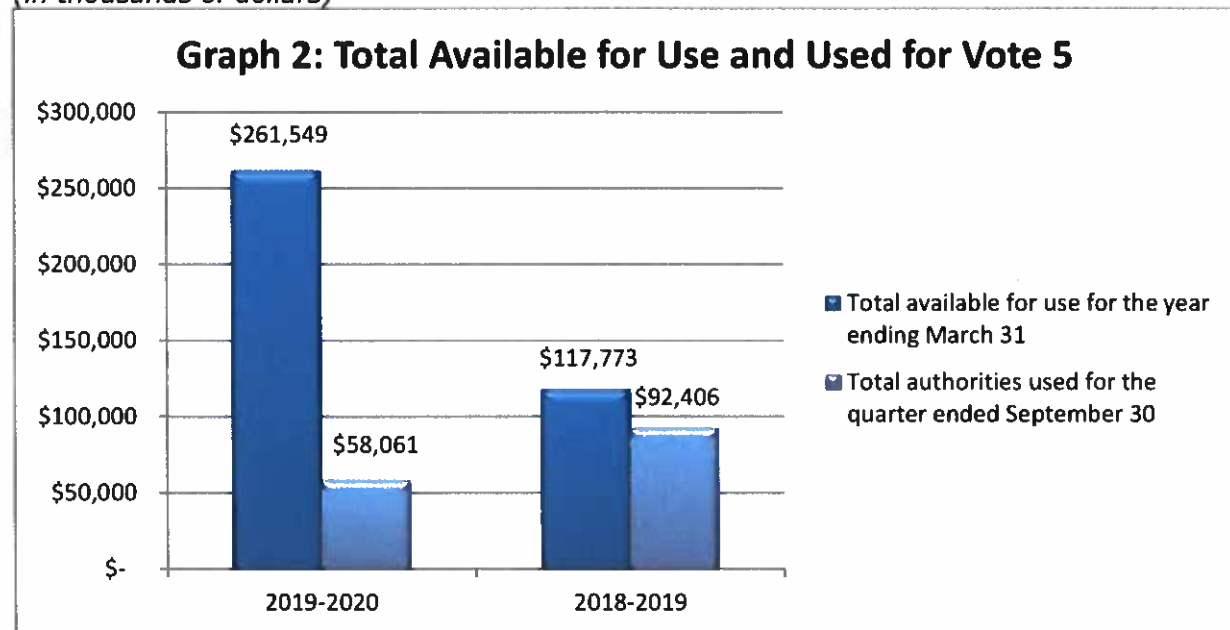
- \$29.3 million increase for investing in a diverse and growing Western economy;
- \$25.0 million increase in funding to support small and medium-sized enterprise users of steel and aluminum;
- \$23.5 million increase to fund the Innovation and Skills Plan;
- \$16.3 million increase to restore rail service to Churchill, Manitoba;
- \$15.8 million increase to reinvest receipts from repayable contributions;
- \$6.2 million increase to fund the Women Entrepreneurship Strategy;
- \$5.9 million increase for the Praxis Spinal Cord Institute;
- \$5.0 million increase to fund Manitoba’s aerospace sector;
- \$5.0 million increase in funding from the conclusion of WD’s commitment towards the thirty meter telescope;
- \$4.9 million increase to fund the Canada Coal Transition Initiative;
- \$3.5 million increase for the LNG Haisla Bridge, and
- \$3.4 million increase for launching a federal strategy on jobs and tourism.

Total authorities used year-to-date for the quarter-ended September 30, 2019 decreased to \$58.1 million, compared to \$92.4 million at September 30, 2018. The \$34.3 million decrease, or 37%, is explained by:

- \$6.2 million increase in Regional Economic Growth through Innovation payments funding the Innovation and Skills Plan;
- \$3.8 million increase to the Praxis Spinal Cord Institute;
- \$2.5 million increase in Western Diversification Program payments, investing in a diverse and growing economy;
- \$1.5 million increase in payments supporting small and medium-sized enterprise users of steel and aluminum;
- \$44.0 million decrease for payments restoring rail service to Churchill, Manitoba; and
- \$4.3 million decrease for payment timing differences made to network partners.

Graph 2 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



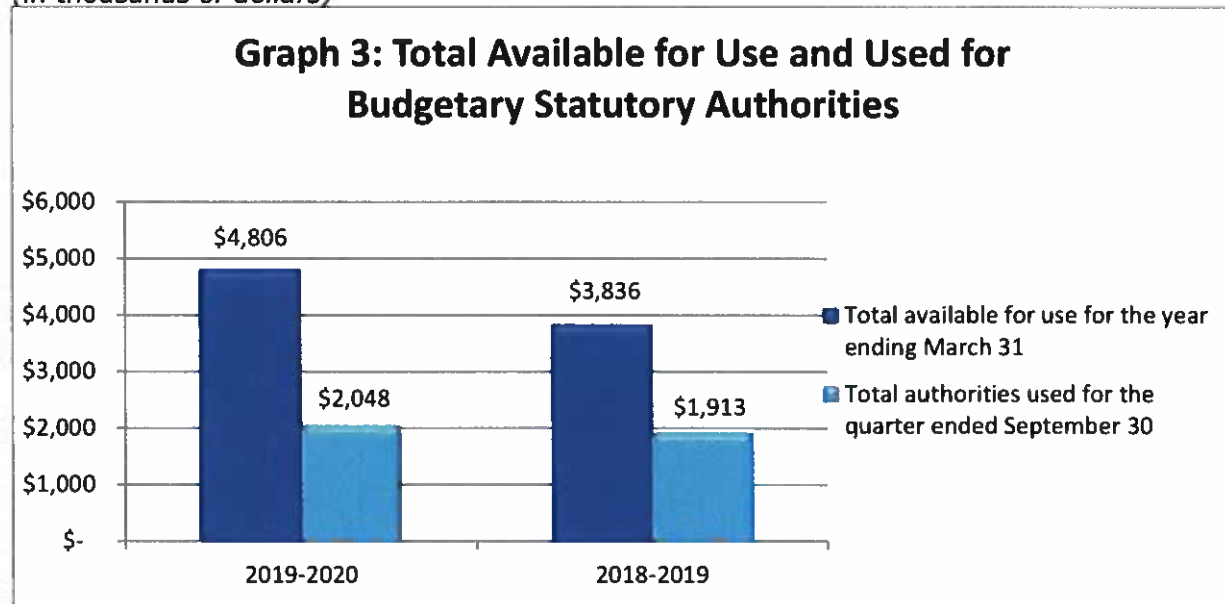
Statement of Authorities: Budgetary Statutory Authorities

Budgetary statutory authorities available for use for fiscal year 2019-2020 changed to \$4.8 million, an increase of \$1.0 million when compared to the \$3.8 million in 2018-2019. The increase is a result of additional salary funding provided through Budget 2018 and Budget 2019 announcements and to incorporate additional funding as the employee benefit plan rate increased to 27%.

There is a slight increase in budgetary statutory authorities used for this reporting period when compared to the previous fiscal year.

Graph 3 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



Statement of the Departmental Budgetary Expenditures by Standard Object

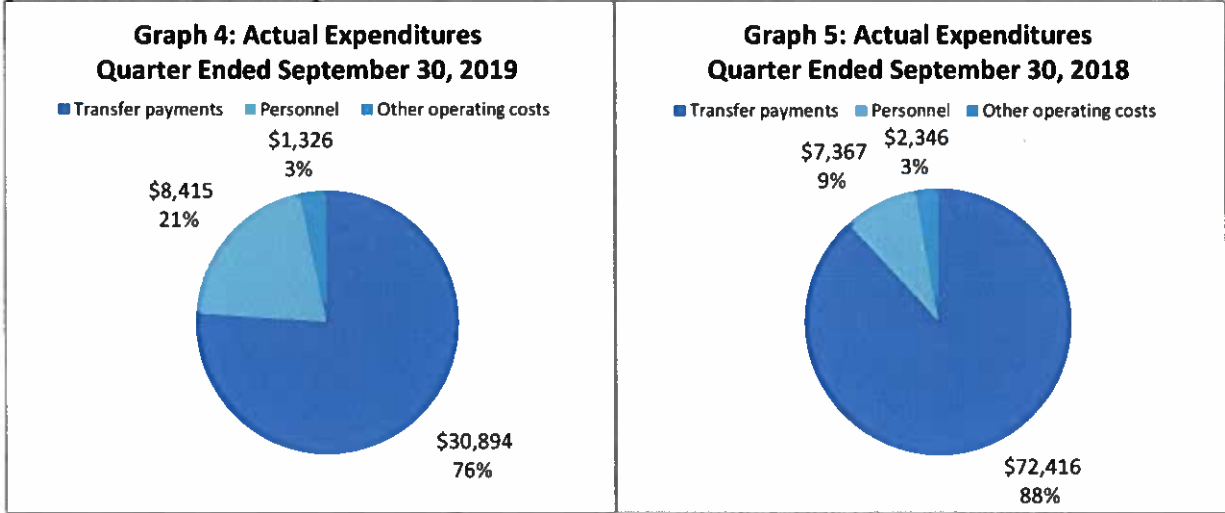
Expenditures by standard object for the quarter ended September 30, 2019, were \$40.6 million, which reflects a decrease of \$41.5 million, or 51%, from the \$82.1 million at September 30, 2018. This variance is explained by:

- \$5.9 million increase in Regional Economic Growth through Innovation payments funding the Innovation and Skills Plan;
- \$1.5 million increase in payments supporting small and medium-sized enterprise users of steel and aluminum;
- \$1.4 million increase in Western Diversification Program payments, investing in a diverse and growing economy;
- \$1.0 million increase in salary costs to cover various transfer payment programming;
- \$48.3 million decrease for payments restoring rail service to Churchill, Manitoba;
- \$2.0 million decrease for payment timing differences made to network partners; and
- \$1.0 million decrease in other operating payments mainly due to a decrease in workplace 2.0 fit-ups.

Additional information can be found in the Statement of Authorities, Vote 1 and Vote 5 sections above.

Graphs 4 and 5 illustrate actual expenditures for the quarter’s end.

(in thousands of dollars)



Risks and Uncertainties

The department is managing the allocation of resources within a well-defined framework of accountabilities, policies and procedures including a system of budgets, reporting and other internal controls to manage within available resources and Parliamentary authorities. WD also conducts an annual risk assessment exercise as part of its overall risk management approach. WD has not identified any significant financial risks from their annual risk assessment.

The department maintains financial management processes to ensure effective budget management. Processes are in place to assess the impact of project timing fluctuations and the process for forecasting multi-year funding requirements. The decision-making process facilitates the re-allocation of financial resources to priority initiatives.

Significant Changes in Relation to Operations, Personnel and Programs

There are no significant changes in relation to operations, personnel and programs for this reporting period.

Approval by Senior Officials

Approved by:

Original signed by:



Dylan Jones
Deputy Minister

Edmonton, Canada

Date: November 29, 2019

Original signed by:



Kathryn Mattern
A/Chief Financial Officer

Statement of Authorities (unaudited)

Fiscal year 2019-2020 (in thousands of dollars)

Authorities	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	\$ 43,340	\$ 8,717	\$ 18,327
Vote 5 - Grants and contributions	261,549	30,894	58,061
Budgetary statutory authorities	4,806	1,024	2,048
Spending of proceeds from the disposal of surplus Crown assets	-	-	-
Total authorities	\$ 309,695	\$ 40,635	\$ 78,436

Fiscal year 2018-2019 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	\$ 37,601	\$ 8,757	\$ 17,236
Vote 5 - Grants and contributions	117,773	72,416	92,406
Budgetary statutory authorities	3,825	956	1,913
Spending of proceeds from the disposal of surplus Crown assets	11	-	-
Total authorities	\$ 159,210	\$ 82,129	\$ 111,555

*Includes only Authorities available for use and granted by Parliament at quarter-end.

Departmental Budgetary Expenditures by Standard Object (unaudited)

Fiscal Year 2019-2020 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended September 30, 2019	Year-to-date used at quarter-end
Personnel	\$ 34,548	\$ 8,415	\$ 16,574
Transportation and communications	2,815	260	536
Information	375	56	104
Professional and special services	7,238	603	2,487
Rentals	1,082	150	335
Repair and maintenance	880	21	21
Utilities, materials and supplies	172	54	77
Acquisition of machinery and equipment	1,036	72	84
Transfer payments	261,549	30,894	58,061
Other subsidies and payments	-	110	157
Total net budgetary expenditures	\$ 309,695	\$ 40,635	\$ 78,436

Departmental Budgetary Expenditures by Standard Object (unaudited)

Fiscal year 2018-2019 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended September 30, 2018	Year-to-date used at quarter-end
Personnel	\$ 28,990	\$ 7,367	\$15,027
Transportation and communications	1,855	243	492
Information	347	24	61
Professional and special services	7,798	1,445	2,543
Rentals	1,028	109	265
Repair and maintenance	495	306	306
Utilities, materials and supplies	150	26	36
Acquisition of machinery and equipment	774	26	56
Transfer payments	117,773	72,416	92,406
Other subsidies and payments	-	167	363
Total net budgetary expenditures	\$ 159,210	\$ 82,129	\$ 111,555

*Includes only Authorities available for use and granted by Parliament at quarter-end.