

Western Economic Diversification Canada's Quarterly Financial Report for the quarter ended September 30, 2018

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 2018-2019 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, 2018.

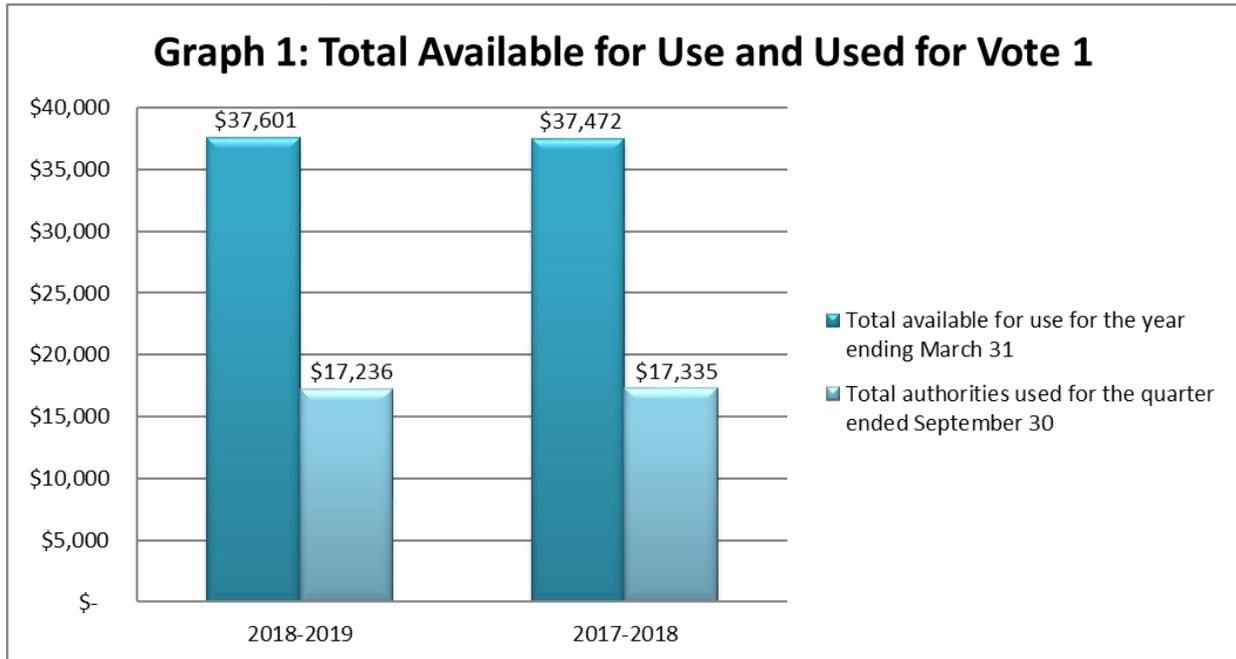
Statement of Authorities: Vote 1 – Net Operating Expenditures

Total authorities available for use for fiscal year 2018-2019 are \$37.6 million, a net increase of \$0.1 million, or 0.3%, compared to the \$37.5 million for 2017-2018. The net increase relates to various minor budget adjustments.

Total authorities used year-to-date decreased to \$17.2 million for the quarter ended September 30, 2018, compared to \$17.3 million at September 30, 2017. The \$0.1 million decrease, or 0.6%, is mainly explained by the decrease in lump-sum salary costs to cover retroactive payments from the settlement of various collective bargaining agreements 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 2018-2019 are \$117.8 million, a net decrease of \$55.4 million, or 32%, compared to the \$173.2 million for 2017-2018. The net decrease is explained by:

- \$8.0 million increased funding to restore rail service to Churchill, Manitoba;
- \$5.0 million increased funding for the Western Diversification Program;
- \$46.2 million decrease for the completion of the Canada 150 Community Infrastructure Program;
- \$11.6 million decrease for the completion of the Drywall Anti-dumping Duty Relief Program;
- \$6.0 million decrease for the conclusion of the project with the Rick Hansen Foundation;
- \$4.5 million decrease for one-time transfer from Agriculture and Agri-Food Canada for Cattlemen’s Association; and
- \$0.1 million decreased funding for the Economic Development Initiative

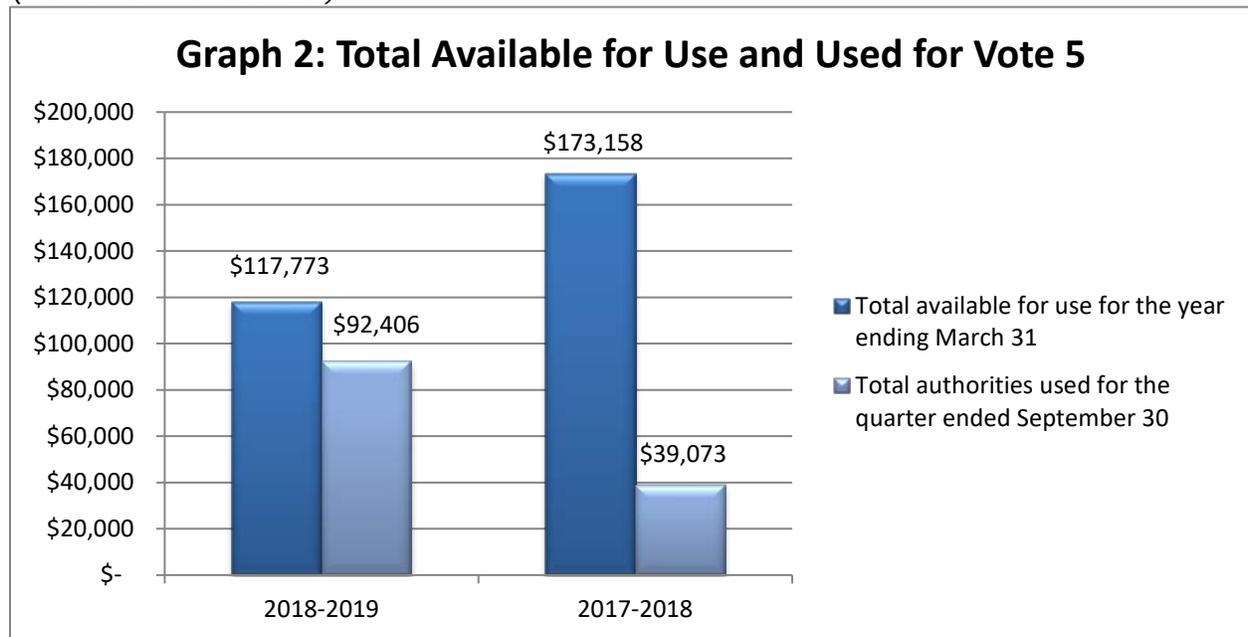
Total authorities used year-to-date for the quarter-ended September 30, 2018 increased to \$92.4 million, compared to \$39.1 million at September 30, 2017. The \$53.3 million increase, or 136%, is explained by:

- \$58.3 million increase for payments made to restore rail service to Churchill, Manitoba;

- \$4.5 million increase for payments made under the Western Diversification Program;
- \$4.0 million increase for payment timing differences made under Community Futures, Women’s Enterprise Initiative and Economic Development Initiative;
- \$5.5 million decrease for the completion of the Drywall Anti-Dumping Duty Relief Program;
- \$4.5 million decrease for the completion of the Canada 150 Community Infrastructure Program; and
- \$3.5 million decrease for the conclusion of the project with the Rick Hansen Foundation;

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

(in thousands of dollars)



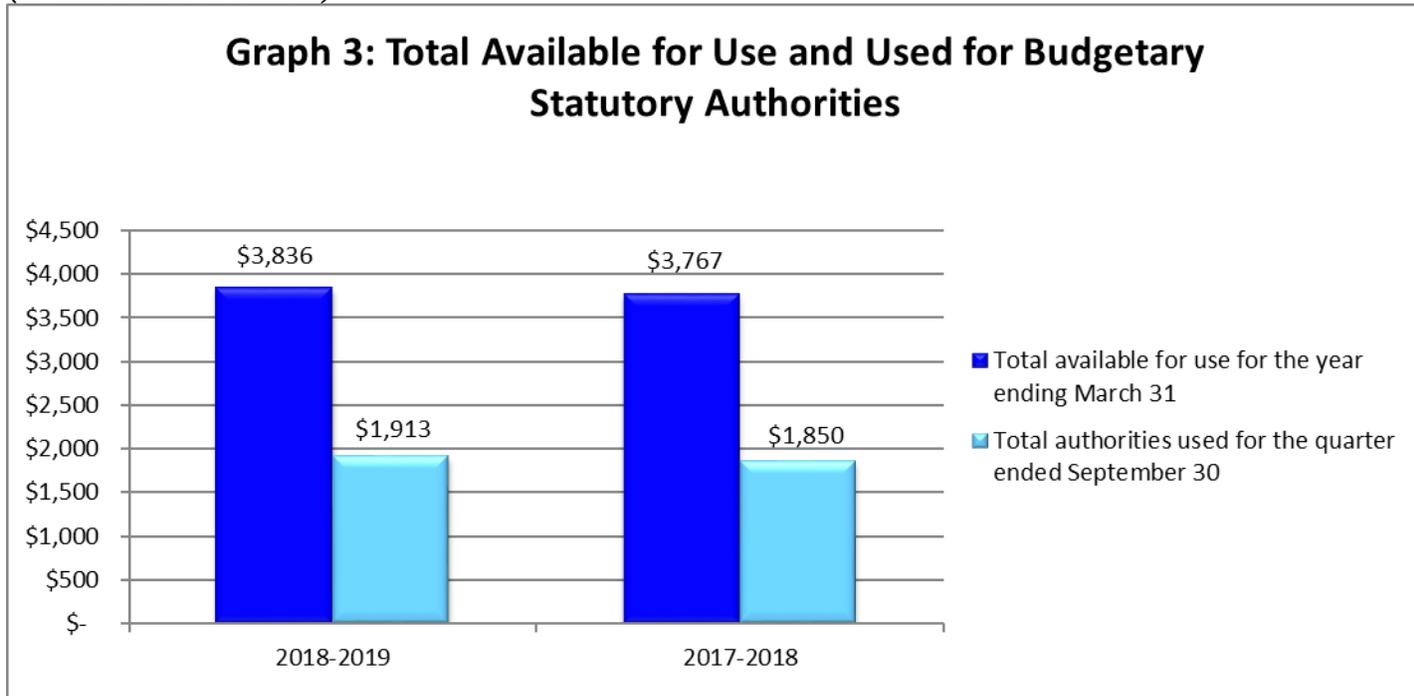
Statement of Authorities: Budgetary Statutory Authorities

Budgetary statutory authorities available for use for fiscal year 2018-2019 is unchanged at \$3.8 million with no significant variances compared to 2017-2018.

There are no significant variances 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

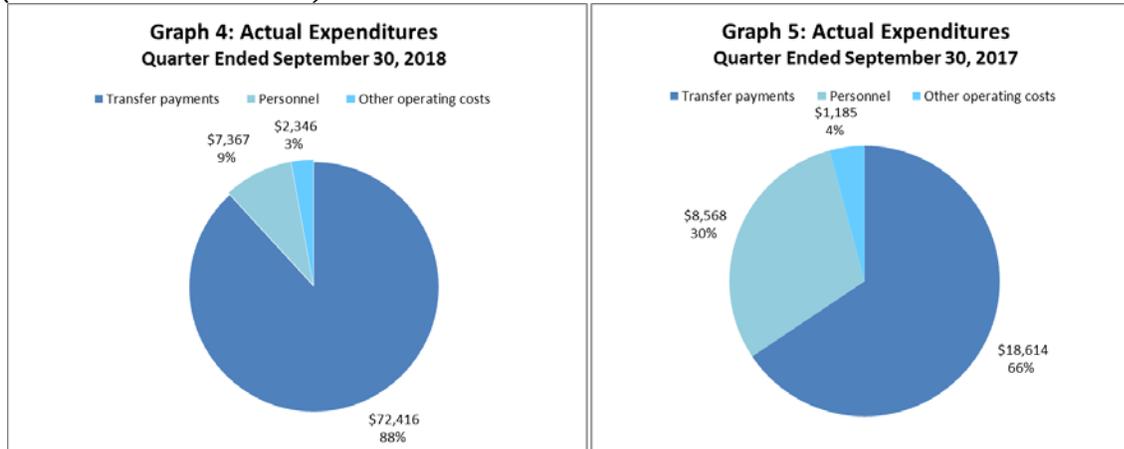
Expenditures by standard object for the quarter ended September 30, 2018, were \$82.1 million, which reflects an increase of \$53.7 million, or 190%, from the \$28.4 million at September 30, 2017. This variance is explained by:

- \$58.3 million increase for payments made to restore rail service to Churchill, Manitoba;
- \$2.8 million increase for payments made under the Western Diversification Program;
- \$2.1 million increase for payment timing differences made under Community Futures, Women’s Enterprise Initiative and Economic Development Initiative;
- \$1.1 million increase in other operating costs mainly due to workplace 2.0 fit-up costs;
- \$5.5 million decrease for the completion of the Drywall Anti-Dumping Duty Relief Program;
- \$3.9 million decrease for the completion of the Canada 150 Community Infrastructure Program; and
- \$1.2 million decrease in personnel costs mainly due to lump-sum salary costs to cover retroactive payments from the settlement of various collective bargaining agreements.

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 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

The Government of Canada announced support for the acquisition and repair of the Churchill rail line by Arctic Gateway Group, making good on its commitment to restore the Hudson Bay railway line to Churchill and surrounding communities. Through the Western Diversification Program, an investment to the Arctic Gateway Group allows a historic private-public partnership that blends First Nations and community ownership and Canadian private sector leadership, to take over ownership of the Hudson Bay Rail Company, the Hudson Bay Port Company and the Churchill Marine Tank Farm.

Approval by Senior Officials

Approved by:

Original signed by:

Dylan Jones
Deputy Minister

Edmonton, Canada

Date: November 14, 2018

Original signed by:

Cathy McLean
Chief Financial Officer

Statement of Authorities (unaudited)

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

Fiscal year 2017-2018 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2018*	Used during the quarter ended September 30, 2017	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	\$ 37,472	\$ 8,828	\$ 17,335
Vote 5 - Grants and contributions	173,158	18,614	39,073
Budgetary statutory authorities	3,751	925	1,850
Spending of proceeds from the disposal of surplus Crown assets	16	-	-
Total authorities	\$ 214,397	\$ 28,367	\$ 58,258

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

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

Departmental Budgetary Expenditures by Standard Object (unaudited)

Fiscal year 2017-2018 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended September 30, 2017	Year-to-date used at quarter-end
Personnel	\$ 28,675	\$ 8,568	\$ 16,385
Transportation and communications	1,664	194	370
Information	426	60	81
Professional and special services	7,469	827	2,026
Rentals	1,206	111	194
Repair and maintenance	432	25	26
Utilities, materials and supplies	318	22	34
Acquisition of machinery and equipment	1,049	13	42
Transfer payments	173,158	18,614	39,073
Other subsidies and payments	-	(67)	27
Total net budgetary expenditures	\$214,397	\$28,367	\$58,258

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