

Western Economic Diversification Canada's Quarterly Financial Report for the quarter ended June 30, 2021

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](#), and [Supplementary Estimates \(A\)](#). 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 and Supplementary Estimates (A) for the 2021-2022 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:

- Authorization received from the Minister of Health and Minister of Finance to issue transfer payments pursuant to the *Public Health Events of National Concern Payments Act*.
- 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 June 30, 2021.

Statement of Authorities: Vote 1 – Net Operating Expenditures

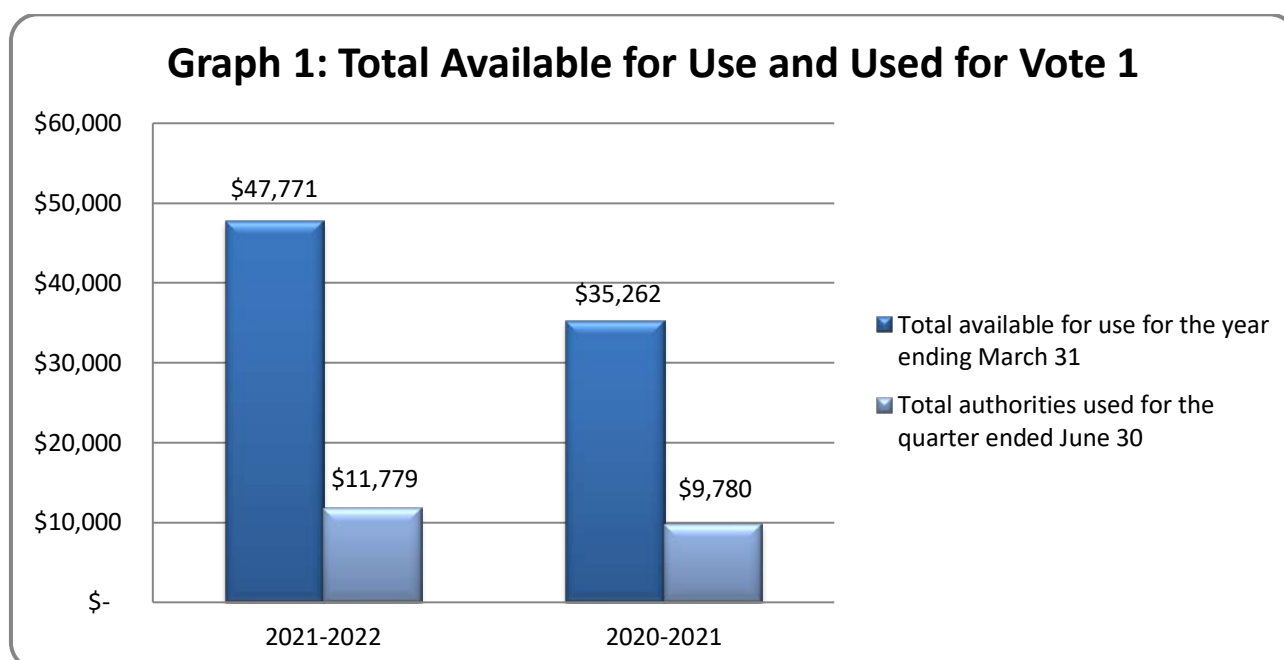
Total authorities available for use for fiscal year 2021-2022 are \$47.8 million, a net increase of \$12.5 million, or 35%, compared to the \$35.3 million for 2020-2021. The net increase is explained by:

- \$10.6 million increase from receiving full interim supply in 2021-2022;
- \$1.2 million increase in funding for the Air Sector Economic Recovery Strategy;
- \$1.0 million increase in funding for Canada Coal Transition Initiative;
- \$0.2 million net increase in funding to provide support to businesses and tourism facing hardship due to COVID-19 through the Regional Recovery and Relief Fund;
- \$0.4 million decrease from reduction in Budget 2019: Launching a Federal Strategy on Jobs and Tourism;
- \$0.1 million net decrease in other minor adjustments.

Total authorities used has increased to \$11.8 million for the quarter ended June 30, 2021, compared to \$9.8 million at June 30, 2020. The increase of \$2.0 million, or 20%, is explained mainly by salary increases to deliver recovery initiatives under the Regional Relief and Recovery Fund, to provide staffing for new transfer payment programming and for restructuring WD to the Pacific and Prairies Economic Development Agencies as announced in Budget 2021.

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 2021-2022 are \$519.7 million, a net increase of \$327.0 million, or 170%, compared to the \$192.7 million for 2020-21. The net increase is explained by:

- \$211.3 million increase in funding to provide support to businesses and tourism operators facing hardship due to COVID-19 through the Regional Recovery and Relief Fund;
- \$53.1 million increase to support Canada's air sector through the Air Sector Recovery Strategy;
- \$35.4 million increase in funding received for full supply;
- \$19.5 million net increase to fund the Canada Coal Transition Initiative;
- \$15.0 million increase to fund national medical science, research and development initiatives;
- \$2.6 million increase in funding to support black entrepreneurs;
- \$0.5 million net increase in support for the LNG Haisla Bridge project;
- \$0.1 million net increase from other minor various adjustments;
- \$9.0 million net decrease in funding as the Canadian Experiences Fund concludes.
- \$1.5 million net decrease completing our funding support for Greyhound bus service disruptions.

Total authorities used for the quarter-ended June 30, 2021 increased to \$132.4 million, compared to \$28.7 million at June 30, 2020. The \$103.7 million increase, or 361%, is explained by:

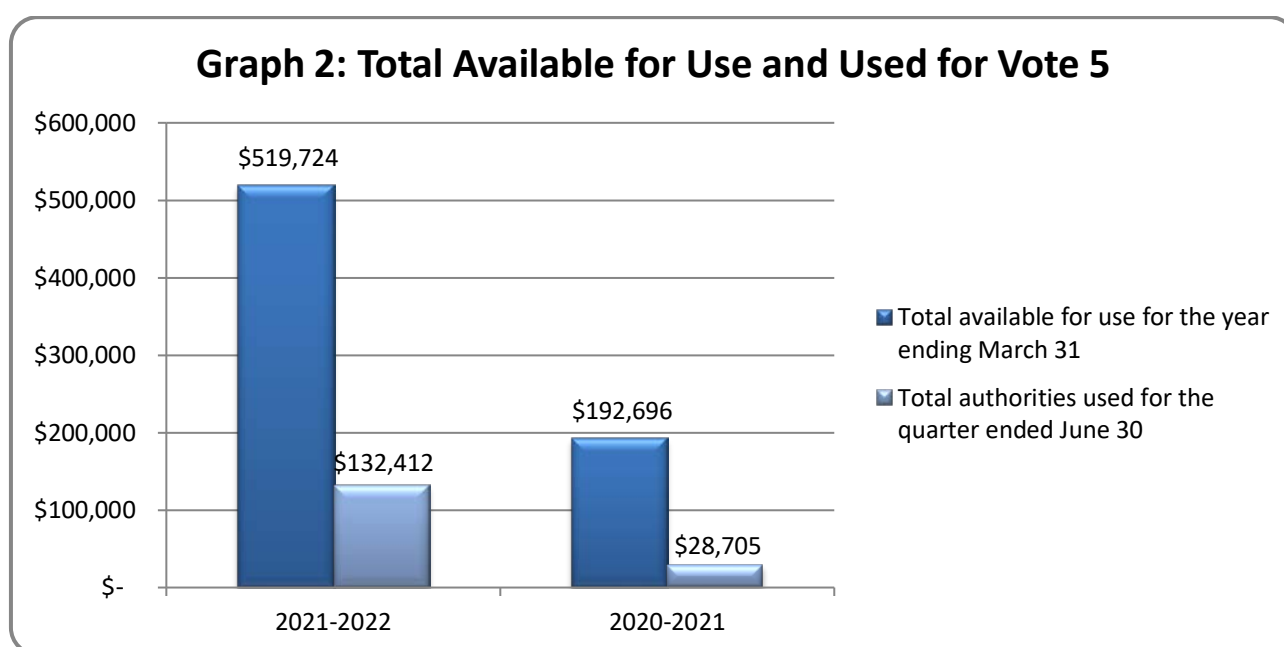
- \$99.2 million increase in Regional Recovery and Relief Fund payments to provide support to businesses and tourism operators facing hardships due to COVID-19.

Transfer payments delivery for this fund moved to Vote 5 in 2021-2022 whereas payments were made through statutory authorities pursuant to the *Public Health Events of National Concern Payments Act* in 2020-2021.

- \$3.2 million increase in payments in Western Diversification Program and other various WD programs;
- \$2.5 million increase in payments for the on-going maintenance for rail service to Churchill, Manitoba; and
- \$1.2 million decrease for Canadian Experiences Fund payments.

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

(in thousands of dollars)



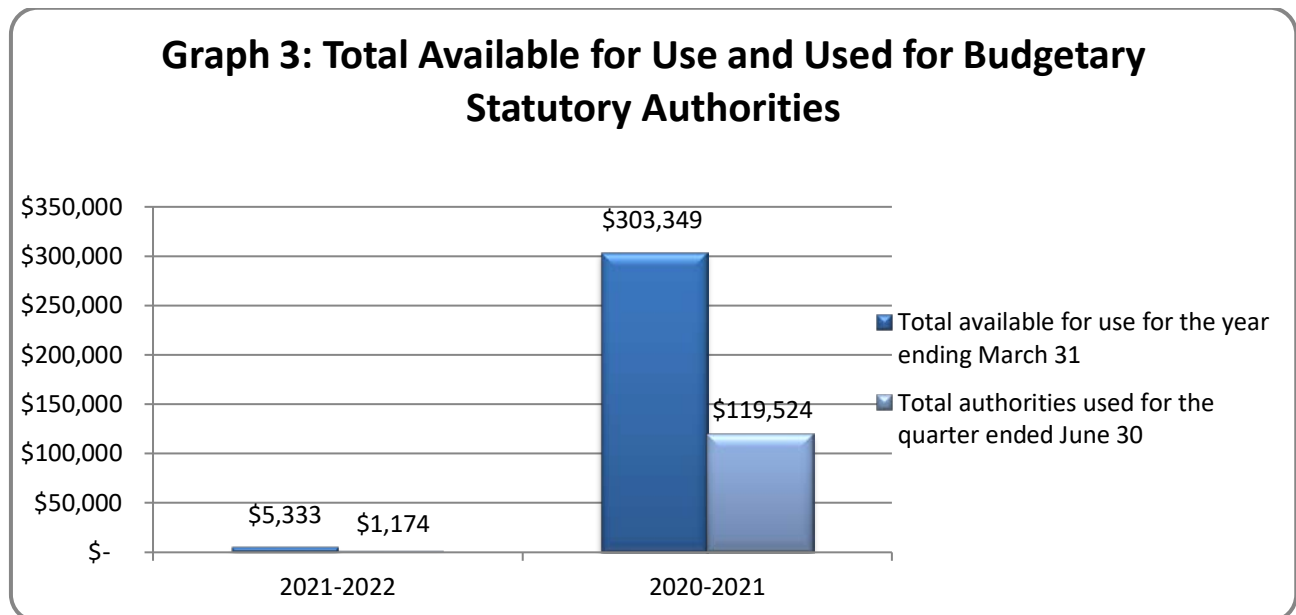
Statement of Authorities: Budgetary Statutory Authorities

Budgetary statutory authorities available for use for fiscal year 2021-2022 changed to \$5.3 million, a decrease of \$298.0 million when compared to the \$303.3 million in 2020-2021. The decrease is a result of statutory authorities pursuant to the *Public Health Events of National Concern Payments Act* received in early 2020-2021 to support businesses and network partners through the COVID-19 pandemic that the department received as Vote 1 and 5 amounts in 2021-2022.

Total authorities used for the quarter-ended June 30, 2021 decreased to \$1.2 million, compared to \$119.5 million at June 30, 2020. The \$118.3 million decrease is explained by transfer payments delivery for payments made under the *Public Health Events of National Concern Payments Act* in 2020-2021 moved to Vote 5 in 2021-2022.

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 June 30, 2021, were \$145.4 million, a decrease of \$12.6 million, or 8%, from the \$158.0 million at June 30, 2020.

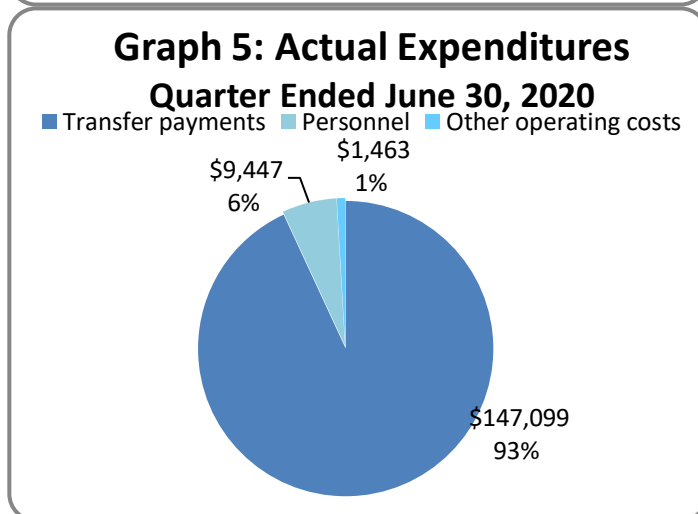
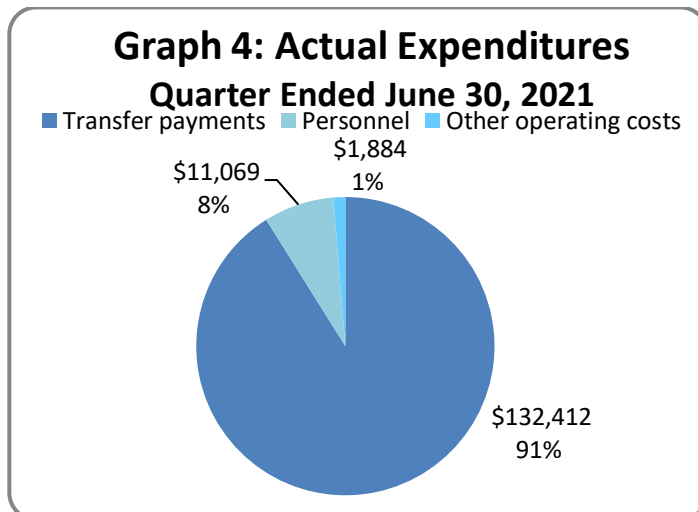
The variance is largely due to:

- \$3.8 million increase in Western Diversification Program payments, investing in a diverse and growing economy;
- \$1.6 million increase in salary and other personnel costs to deliver new transfer payment programming and for restructuring WD to the Pacific and Prairies Economic Development Agencies;
- \$0.4 million increase in Regional Economic Growth through Innovation payments to deliver the Skills and Innovation plan;
- \$0.4 million increase in payments supporting the Canada Coal Transition Initiative;
- \$0.4 million increase in operations and maintenance costs; and
- \$19.2 million decrease in Regional Relief and Recovery Fund transfer payments providing relief funding to western Canadian businesses.

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-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 conducts an annual risk assessment exercise as part of its overall risk management approach. Prior to the COVID-19 pandemic, WD did not identify any significant financial risks from their annual risk assessment.

In response to the COVID-19 pandemic, WD has identified increased enterprise-wide risks including risks to employee physical and mental health, cyber risk, and risks due to the speed of program delivery to get funding to Canadians economically affected by COVID-19

in a timely manner. WD employs risk-based mitigation to reduce risks such as business continuity planning, occupational health and safety planning and people management strategies; a robust system of network systems including encrypted signature, electronic security protocols and mobile equipment to employ remote connectivity; and risk assessments, governance processes, process mapping and segregation of duties when implementing programs.

Significant Changes in Relation to Operations, Personnel and Programs

Budget 2021 will establish a new agency for British Columbia to play an enhanced role as convener, pathfinder, partner, investor, and advisor to support economic development in more communities and help develop businesses to create good jobs that people can rely on. Growing Western Economic Diversification Canada into two new separate agencies focused on British Columbia and the Prairies is recognition that economic drivers and conditions are different in each of the two regions, and entrepreneurs, innovators, institutions, and communities have unique needs linked to where they are located.

Funding a new BC-focused agency through \$553.1 million over five years, starting in 2021-22, and with \$110.6 million ongoing, while existing core program funding from Western Economic Diversification Canada will remain to support a new Prairie agency:

- This measure increases investments available for businesses, institutions, organizations, and communities in Alberta, Saskatchewan, and Manitoba.
- This represents an increase of approximately 70 per cent in permanent regional development agency funding in the West.

On August 6, 2021, the Government of Canada launched Pacific Economic Development Canada (PacifiCan) as the new federal regional economic development agency for British Columbia, and Prairies Economic Development Canada (PrairiesCan) as the new regional economic development agency for businesses and communities in Alberta, Saskatchewan and Manitoba. They will replace Western Economic Diversification Canada (WD), which has been serving western Canadians since August 4, 1987.

Sundeep Cheema joined WD as CFO and Executive Director, Finance & Corporate Management, effective May 10, 2021.

Approval by Senior Officials

Approved by:



Dylan Jones
Deputy Minister

Sundeep Cheema
Chief Financial Officer

Date: August 12, 2021

Statement of Authorities (unaudited)

Fiscal year 2021-2022 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year-to-date used at quarter- end
Vote 1 - Net operating expenditures	\$47,771	\$11,779	\$11,779
Vote 5 - Grants and contributions	519,724	132,412	132,412
Budgetary statutory authorities:			
Employee Benefit Plans	5,333	1,171	1,171
Collection Agency Fees		3	3
Total authorities	\$528,828	\$145,365	\$145,365

Fiscal year 2020-2021 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	\$35,262	\$9,780	\$9,780
Vote 5 - Grants and contributions	192,696	28,705	28,705
Budgetary statutory authorities:			
Employee Benefit Plans	4,894	1,129	1,129
Transfer Payments	298,455	118,395	118,395
Total authorities	\$531,307	\$158,009	\$158,009

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

Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2021-2022 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Personnel	\$39,386	\$11,069	\$11,069
Transportation and communications	933	4	4
Information	884	45	45
Professional and special services	7,781	1,413	1,413
Rentals	1,201	194	194
Repair and maintenance	862	0	0
Utilities, materials and supplies	477	8	8
Acquisition of machinery and equipment	1,580	9	9
Transfer payments	519,724	132,412	132,412
Other subsidies and payments	0	211	211
Total net budgetary expenditures	\$572,828	\$145,365	\$145,365

Fiscal Year 2020-2021 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2021*	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Personnel	\$29,233	\$9,447	\$9,447
Transportation and communications	2,483	14	14
Information	455	25	25
Professional and special services	5,338	1,216	1,216
Rentals	779	92	92
Repair and maintenance	810	0	0
Utilities, materials and supplies	242	4	4
Acquisition of machinery and equipment	816	2	2
Transfer payments	491,151	147,099	147,099
Other subsidies and payments	0	110	110
Total net budgetary expenditures	\$531,307	\$158,009	\$158,009

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