

**QUARTERLY FINANCIAL REPORT FOR THE QUARTER  
ENDED JUNE 30, 2012**

**ECONOMIC DEVELOPMENT AGENCY OF CANADA  
FOR THE REGIONS OF QUEBEC**

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## **1. Introduction**

This quarterly financial report should be read in conjunction with the 2012-2013 Main Estimates and Canada's Economic Action Plan 2012. This report has been prepared by the Agency as required by subsection 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board (TB) Accounting Standard 1.3 - Departmental and Agency Quarterly Financial Report. This report has not been subject to an external audit or review.

### **1.1 Authority, mandate and program activities**

Under its incorporating act, which came into effect on October 5, 2005, the mission of the Agency is to promote the long-term economic development of the regions of Quebec.

Additional information on the Agency's authority, mandate and program activities can be found in the [Report on Plans and Priorities](#) and the [Main Estimates](#).

### **1.2 Basis of presentation**

This quarterly report has been prepared by the Agency using an expenditure basis of accounting and a special purpose financial reporting framework designed to meet financial information needs with respect to spending authorities. The accompanying Statement of Authorities can be used to compare the spending authorities Parliament granted to the Agency with authorities used by the Agency.

The information in the Statement of Authorities is consistent with the information presented in the Main Estimates for the 2012-2013 fiscal year. However, within the framework of the Business of Supply in Parliament, the Main Estimates must be tabled in Parliament on or before the first day of March preceding the start of the new fiscal year. Budget 2012 was tabled in Parliament on March 29, following the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in Budget 2012 do not feature in the Main Estimates for 2012-2013.

For fiscal 2012-2013, frozen allotments will be established by Treasury Board in departmental votes to prevent the spending of funds already set aside for savings measures in Budget 2012. In upcoming fiscal years, the Treasury Board approved Annual Reference Level Update will be

used to amend departmental authorities and the amendments will appear in the subsequent Main Estimates tabled before Parliament.

The authority of Parliament is required before monies 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.

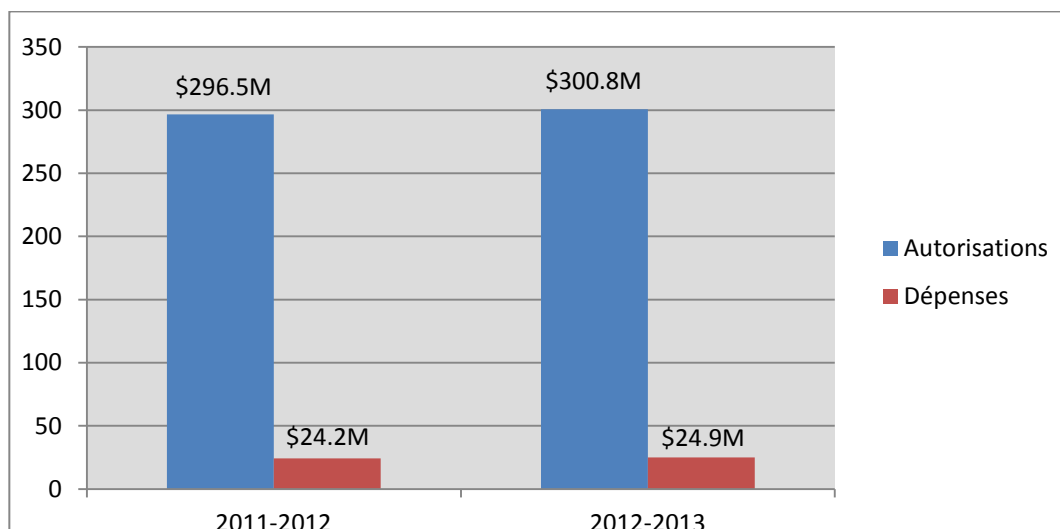
When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The Agency uses the full accrual method of accounting to prepare and present its annual departmental financial statements published in the Departmental Performance Report. However, the spending authorities voted by Parliament are always established on an expenditure basis.

## **2. Highlights of financial and year-to-date (YTD) results**

The goal of this section is to highlight the key elements underlying the Agency's financial results, which show a slight net increase in resources available for this fiscal year and in actual expenditures for the quarter ended June 30, 2012, compared with the quarter ended June 30, 2011.

## 2.1 Analysis of authorities



**Table 1 – First quarter expenditures vs. annual authorities (in millions of dollars)**

The table above provides an overview of net budgetary authorities that correspond to resources available for use for the fiscal year ending March 31, 2013.

With the end of Canada's Economic Action Plan (CEAP) in 2011-2012, the Agency has returned to its regular programming. Available authorities have, nevertheless, increased by \$4.2M (approximately 1%) since 2011-2012, rising from \$296.5M to \$300.8M. This is the result of a Vote 5 increase of 2% – grants and contributions (\$5.0M), a Vote 1 decrease of 2% – net operating expenditures (\$0.8M), and a 1% drop in Budgetary Statutory Authorities.

Factors contributing to this variance include:

- ✓ a \$14.5M increase to finance the construction of a gas pipeline between Vallée-Jonction and Thetford Mines;
- ✓ a \$2.3M increase from the reinvestment of revenues from repayable contributions;
- ✓ a \$1.4M increase from the implementation of the Building Canada Fund;
- ✓ a \$10.0M decrease (\$0.4M from the operating budget and \$9.6M from the grants and contributions' budget) to reduce the Agency's budget, a requirement of the 2010 Strategic Review;
- ✓ a \$2.2M decrease resulting from variations regarding the financing of initiatives to support the development of international cruises on the St. Lawrence and Saguenay rivers, the United Nations Convention on Biological Diversity Partnership and official languages strategies;

- ✓ a \$1.7M decrease in the operating budget resulting from the transfer of some of the Agency's resources to Shared Services Canada.

## **2.2 Analysis of expenditures**

Total recorded expenditures in the first quarter of 2012-2013 were \$0.7M (3%) higher than in the first quarter of 2011-2012, up from \$24.2M to \$24.9M.

### **Vote 1 expenditures**

In the first quarter of 2012-2013, net operating expenditures rose to \$9.9M from \$9.4M in 2011-2012. This is a net increase of around 5% and is the result of:

- ✓ an increase in workforce adjustment related expenditures (including severance benefits) and leasing expenses arising in part from the renewal and maintenance of licences for software, applications and equipment.
- ✓ a drop in expenditures for the remaining operating budget items taken as a whole as a result of implementation of the Strategic Review requirements and of the Agency returning to its basic programming in 2012-2013, with the completion of the CEAP.

### **Vote 5 (grants and contributions) expenditures**

In the first quarter of 2012-2013, net grants and contributions expenditures stood at \$14.1M, up from \$13.4M in 2011-2012, an increase of 6%.

## **3. Risks and uncertainties**

### **Transforming the Agency and restoring fiscal balance**

Two years ago, the government made a commitment to achieve fiscal balance and to reduce spending to restore the fiscal situation.

Accordingly, Budget 2011 announced the results of the 2010 Strategic Review, in which the Agency had taken part. As a result, it was announced that there would be \$10M in cuts at the Agency in 2012-2013.

Moreover, as had been announced in Budget 2010, departments' operating budgets were frozen at 2010-2011 levels. Thus, there would be no funding in our spending authorities to cover annual salary increases of 1.5%. The Agency therefore had to re-allocate funds from its operating budget to cover these salary increases. On a cumulative basis, the freeze accounts for roughly \$1.6M in 2012-2013.

At the same time, a number of transformation projects were initiated to make the Agency more modern and efficient and to increase its ability to provide excellent service to Canadians. These measures will enable the Agency to mitigate the impact of the above-mentioned budget pressures. However, there are certain risks attached to implementing these measures. As a result, if these risks materialize, the Agency will have to adjust rapidly to comply with the limits of its budgetary authorities.

#### **4. Significant changes in relation to operations, personnel and programs**

##### **Shared Services Canada**

Pursuant to section 31.1 of the *Financial Administration Act* and Order-in-Council P.C. 2011-1297, effective November 15, 2011, the sum of \$0.8M is deemed to have been allocated to Vote 1 and to the Budgetary Statutory Authorities of Shared Services Canada in 2011-2012; this will rise to \$1.8M in 2012-2013. This means that the Agency's Vote 1 and Budgetary Statutory Authorities pursuant to the *Appropriation Act No 1 of 2011-2012* have been reduced by this amount.

##### **New Program Activity Architecture (PAA) and New Program**

As a result of the 2010-2011 Strategic Spending Review, it became apparent that the complexity of the PAA, the performance measurement framework and the number of programs the Agency managed had made clear reporting and justifying its actions difficult for the Agency.

As a result, the Agency embarked on measures to renew its strategic framework, PAA, performance measurement, programs, regional strategies and implementation mechanisms. This led to the Agency's new PAA and its new program coming into effect on April 1, 2012.

## **Workforce Adjustment**

The termination of temporary programs, the absorption of the increase in collective agreements and the implementation of the 2010 Strategic Review have will result in a progressive reduction in the number of full-time equivalents (FTEs) at the Agency beginning in 2012-2013. Accordingly, the plan is to gradually reduce from 406 FTEs in 2011-2012 to 359 FTEs in 2012-2013 and to 325 FTEs in 2014-2015. These reductions are implemented in conformity with the Directive on Workforce Adjustment.

## **5. Implementing Budget 2012**

The Budget 2012 provided an opportunity to modernize the government's activities and reduce their cost, while making it easier for Canadians and businesses to do business with the government.

Canada Economic Development contributed \$28.1M to the government's efforts to reduce the deficit.

Canada Economic Development's contribution to this exercise consisted in:

- ✓ simplifying its programs,
- ✓ reducing processing times and cutting red tape,
- ✓ reorganizing its internal services in order to be more effective.

During the first year of implementation of the Budget 2012, CED will achieve savings of around \$7.4M. In 2013-2014, there will be \$26.7M in savings. There will be permanent savings of \$28.1M by 2014-2015.

The original version was signed by:

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Suzanne Vinet  
President  
Montreal, Quebec, Canada  
August 10, 2012

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Pierre Bordeleau  
Chief Financial Officer  
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August 10, 2012



# Economic Development Agency of Canada for the Regions of Quebec

## Statement of Authorities (unaudited)

For the quarter ended June 30, 2012

Authorities	Fiscal year 2012-2013 (In thousands of dollars)			Fiscal year 2011-2012 (In thousands of dollars)		
	Total available for use for the year ending March 31, 2013*	Used during the quarter ended June 30, 2012	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2012*	Used during the quarter ended June 30, 2011	Year-to-date used at quarter end
Vote 1 – Net operating expenditures	43,169	9,868	9,868	43,953	9,430	9,430
Vote 5 – Grants and contributions	252,053	14,111	14,111	247,037	13,375	13,375
Total Budgetary Statutory Authorities	5,529	922	922	5,559	1,390	1,390
Non-budgetary authorities	-	-	-	-	-	-
<b>Total authorities</b>	<b>300,751</b>	<b>24,901</b>	<b>24,901</b>	<b>296,549</b>	<b>24,195</b>	<b>24,195</b>

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

(An incremental difference in the sum of data may result from rounding)

## Economic Development Agency of Canada for the Regions of Quebec

### Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2012

Expenditures:	Fiscal year 2012-2013 (In thousands of dollars)			Fiscal year 2011-2012 (In thousands of dollars)		
	Planned expenditures for the year ending March 31, 2013	Spent during the quarter ended June 30, 2012	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2012	Spent during the quarter ended June 30, 2011	Year-to-date used at quarter end
Personnel	36,946	9,594	9,594	36,431	9,365	9,365
Transportation and communications	2,351	196	196	2,651	295	295
Information	705	42	42	955	96	96
Professional and special services	5,524	611	611	5,900	761	761
Rentals	1,058	307	307	1,160	211	211
Repair and maintenance	118	4	4	150	9	9
Utilities, materials and supplies	235	24	24	500	31	31
Acquisition de terrains, de bâtiments et ouvrages	118	-	-	-	-	-
Acquisition of machinery and equipment	1,528	7	7	1,565	19	19
Transfer payments	252,053	14,111	14,111	247,037	13,375	13,375
Other subsidies and payments	118	2	2	200	33	33
<b>Total net budgetary expenditures</b>	<b>300,751</b>	<b>24,901</b>	<b>24,901</b>	<b>296,549</b>	<b>24,195</b>	<b>24,195</b>

(An incremental difference in the sum of data may result from rounding)