

**QUARTERLY FINANCIAL REPORT FOR THE QUARTER**

**ENDED SEPTEMBER 30, 2012**

**ECONOMIC DEVELOPMENT AGENCY OF CANADA**

## **FOR THE REGIONS OF QUEBEC**

### **TABLE OF CONTENTS**

<b>1. Introduction .....</b>	<b>3</b>
1.1 Authority, mandate and program activities.....	3
1.2 Basis of presentation.....	3
<b>2. Highlights of financial and year-to-date (YTD) results.....</b>	<b>4</b>
2.1 Analysis of authorities.....	4
2.2 Analysis of expenditures .....	5
<b>3. Risks and uncertainties .....</b>	<b>6</b>
<b>4. Significant changes in relation to operations, personnel and programs.....</b>	<b>7</b>
<b>5. Implementing Budget 2012 .....</b>	<b>8</b>
<b>Statement of Authorities (unaudited) .....</b>	<b>10</b>
<b>Departmental budgetary expenditures by Standard Object (unaudited) .....</b>	<b>11</b>

## **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 were 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.

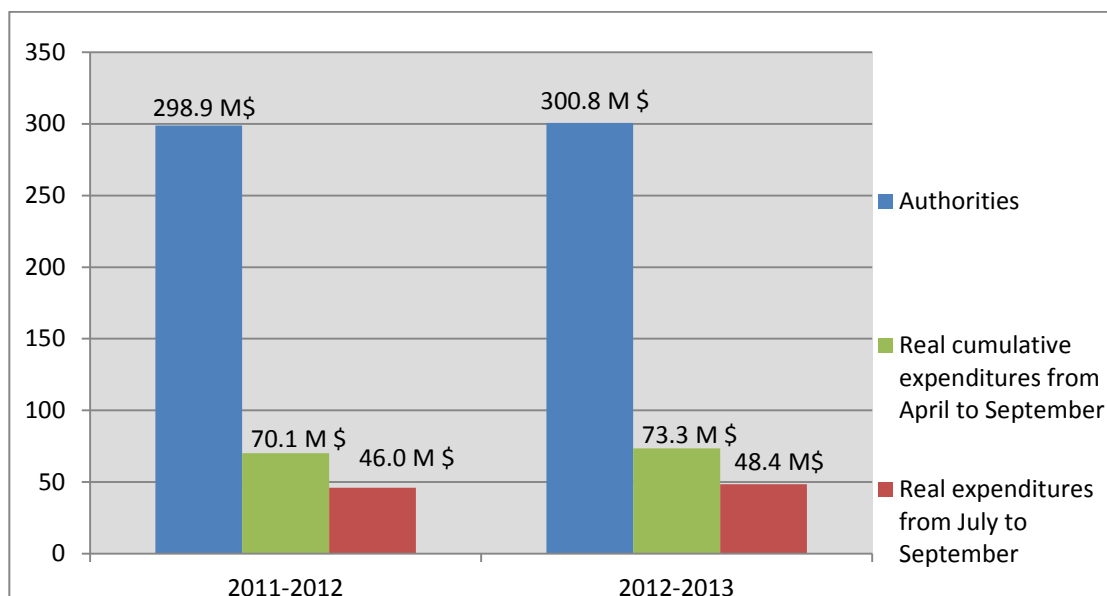
## **2. Highlights of Financial and Year-to-Date (YTD) Results**

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 September 30, 2012, compared with the quarter ended September 30, 2011.

The explanation of variances considers that changes under 5% have minimal impact on the interpretation of results.

### **2.1 Analysis of Authorities**

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



**Graph 1 – Second quarter actual expenditures and actual cumulative expenditures vs. annual authorities (in millions of dollars)**

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 \$1.8M (approximately 1%) since 2011-2012, rising from \$298.9M to \$300.8M. This is the result of a Vote 5 increase of 2% – grants and contributions (\$5.0M), a Vote 1 decrease of 7% – net operating expenditures (\$3.1M), and a 1% drop in Budgetary Statutory Authorities.

The 7% net reduction in terms of operating expenses is primarily due to the fact that the reprofile of 2011-2012 of operating expenses, equivalent to 5% of the Main Estimates, was already approved via the 2011-2012 Supplementary Estimates B as of the second quarter of 2011-2012. If, in 2012-2013, the Supplementary estimates had been approved by the end of the second quarter, the Agency would only have recorded a reduction of 2% in terms of Vote 1 authorizations.

## 2.2 Analysis of Expenditures

Total budgetary expenditures for the second quarter of 2012-2013 were up \$2.4 million (1%) from the second quarter of 2011-2012, increasing from \$46.0 million to \$48.4 million.

The pace of expenditures in the second quarter almost doubled that in the first quarter. Indeed, the Agency spent about \$24.9 million in the first quarter of 2011-2012 versus \$48.4 million in the second quarter. This increase is largely due to the Agency's normal business cycle as it has manifested itself the last several years.

### **Vote 1 – Operating Expenditures**

As one would expect with the ending of the CEAP, the implementation of the requirements of the 2010 Strategic Review and the freeze on operating expenses, net expenditures for operating expenses in the second quarter of 2012-2013 decreased compared to the corresponding quarter, declining from \$13.3 million in 2011-2012 to \$10.3 million in 2012-2013. This represents a net reduction of about 23%.

This decline is partially the result of efforts by the Agency to implement the government's deficit reduction strategy. Accordingly, the Agency implemented various measures with a view to reduce expenditures for these expense categories.

The Agency has disbursed close to 47% of its available authorizations in terms of operating expenses during the first half of 2012-2013, which corresponds to the average expenditure of authorities for the last three years (2010-2011 to 2012-2013).

### **Vote 5 - Grants and Contributions Expenditures**

During the second quarter of 2012-2013, the Agency spent \$36.3 million in grants and contributions, compared with \$31.7 million in 2011-2012. This 15% or \$4.6 million increase is related to the fact that clients submitted expenditure reimbursement claims at a faster pace than last year.

With regard to expenditures related to transfer payments, the Agency has made payments at a slightly faster pace than the average for the last three years, at a level of 20% for 2012-2013 compared to 19%.

### **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 the Agency's programs managed had made clear reporting and explaining its actions difficult.

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 resulted 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. The implementation of savings measures is proceeding as expected and the majority of the reduction in positions has been achieved through a combination of attrition, management of unfilled positions and the negotiated



elimination of positions in accordance with the Directive on Workforce Adjustment and collective agreements. 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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Me Guy Mc Kenzie  
Deputy Minister/President  
Montreal, Quebec, Canada

November 28, 2012

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Pierre Bordeleau  
Chief Financial Officer  
Montreal, Quebec, Canada

November 28, 2012

# Economic Development Agency of Canada for the Regions of Quebec

## Statement of Authorities (unaudited)

For the quarter ended September 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 September 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 September 30, 2011	Year-to-date used at quarter end
Vote 1 – Net operating expenditures	43,169	10,260	20,128	46,307	13,338	22,768
Vote 5 – Grants and contributions	252,053	36,338	50,449	247,037	31,718	45,093
Total Budgetary Statutory Authorities	5,529	1,843	2,765	5,559	926	2,316
Non-budgetary authorities	-	-	-	-	-	-
<b>Total authorities</b>	<b>300,751</b>	<b>48,441</b>	<b>73,342</b>	<b>298,903</b>	<b>45,982</b>	<b>70,177</b>

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

\*\* Total available for use does not reflect measures announced in Budget 2012.

(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 September 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 September 30, 2012	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2012	Spent during the quarter ended September 30, 2011	Year-to-date used at quarter end
Personnel	36,946	10,801	20,395	36,431	12,312	21,677
Transportation and communications	2,351	142	339	3,135	386	680
Information	705	66	108	1,130	114	210
Professional and special services	5,524	917	1,528	6,978	1,116	1,878
Rentals	1,058	88	396	1,372	182	393
Repair and maintenance	118	7	12	178	9	17
Utilities, materials and supplies	235	34	58	591	61	91
Acquisition de terrains, de bâtiments et ouvrages	118	-	-	-	-	-
Acquisition of machinery and equipment	1,528	39	47	1,851	63	83
Transfer payments	252,053	36,338	50,449	247,037	31,718	45,094
Other subsidies and payments	118	8	10	200	21	54
<b>Total net budgetary expenditures</b>	<b>300,751</b>	<b>48,441</b>	<b>73,342</b>	<b>298,903</b>	<b>45,982</b>	<b>70,177</b>

\* Planned expenditures do not reflect measures announced in Budget 2012.

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