



Quarterly financial report for the quarter ended June 30, 2014



Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions

Canada 

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SECTION 1

Introduction

1. INTRODUCTION

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 the Treasury Board (TB) Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This quarterly financial report should be read in conjunction with the 2014-2015 *Main Estimates*, the Supplementary Estimates, previous quarterly financial reports and Canada's Economic Action Plan 2012 (*Budget 2012*).

This report has not been subject to an external audit or review.

1.1. Authorities, Mandate and Programs

According to its enabling act, which came into effect on October 5, 2005, the Economic Development Agency of Canada for the Regions of Quebec's (the Agency) mission is to promote long-term economic development in the regions of Quebec by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate.

Additional information on the Agency's authorities, mandate and programs 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 includes the spending authorities Parliament granted to the Agency with authorities used by the Agency, which are consistent with the information presented in the Main Estimate for the 2014-2015 fiscal year.

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.

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.

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.

1.3. Financial Structure of CED

There are two annual appropriations for CED's expenditures management:

- Vote 1 – Net operating expenditures, which includes the Agency's authorities related to personnel costs, operating and maintenance expenses;
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments;

Expenses under budgetary statutory authorities, for which payments are made under a law previously approved by the Parliament and which are not part of the annual appropriations bills, include items such as employer's benefit plans.



SECTION 2

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

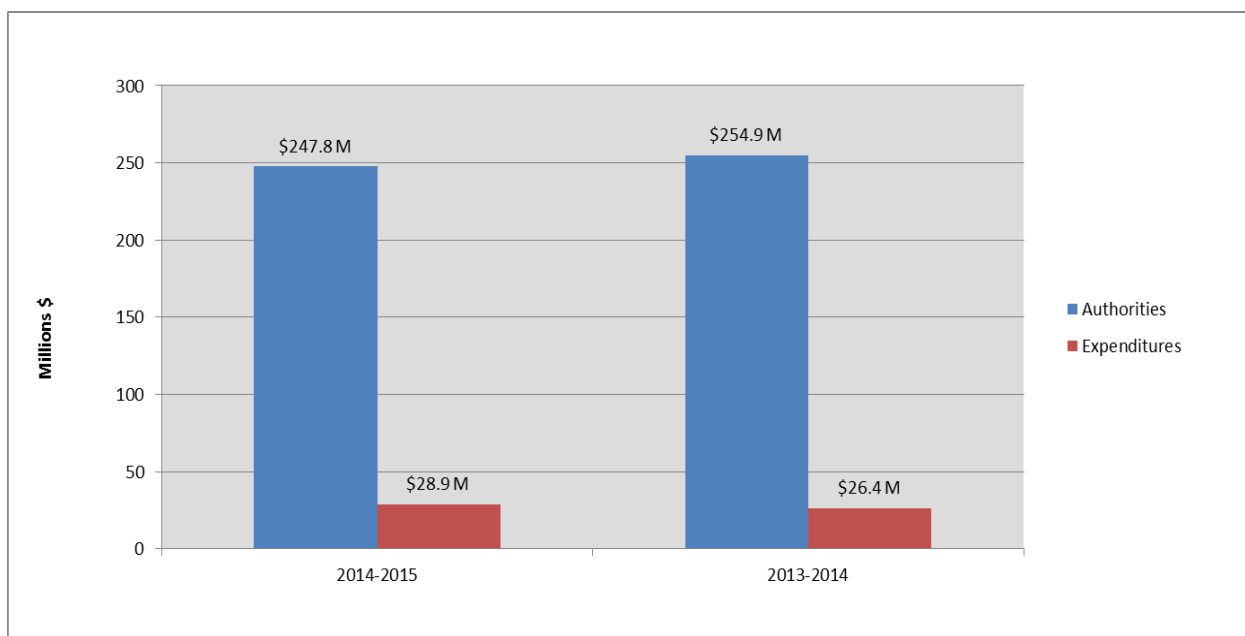
2. Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results

The goal of this section is to highlight the key elements underlying the changes in the levels of net budgetary authorities for the period, as well as in the cumulative and quarterly expenditures for the quarter ended June 30, 2014.

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

The graph below provides an overview of available net budgetary authorities and expenditures. Further details of these changes are presented in Section 2.1, Section 2.2 and the tables in the appendix.

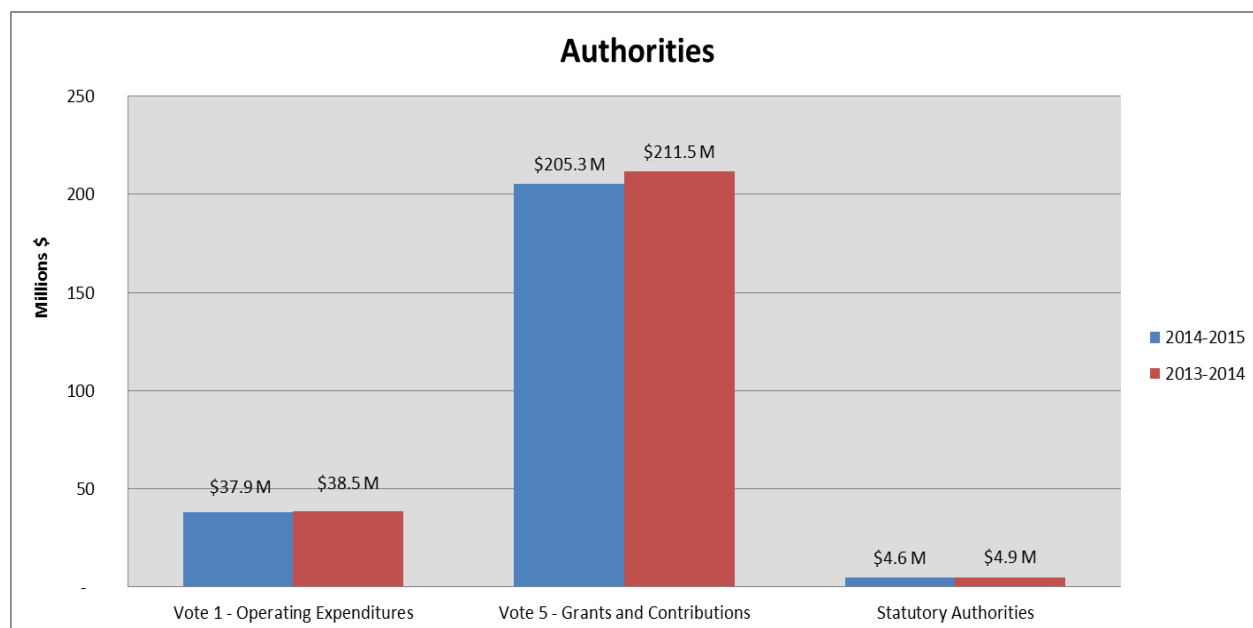
Graph 1 – Actual expenditures as of June 30 compared to annual authorizations (in millions of dollars)



2.1 Analysis of Authorities

At the end of this first quarter, the Agency's available authorities totalled \$247.8 million. There was a net decrease of \$7.1 million compared to the same quarter in 2013-2014. This is the result of a decrease of \$0.6 million in Vote 1 Authority – Operating expenditures, a decrease of \$6.2 million in Vote 5 – Grants and contributions and a decrease of \$0.3 million in Statutory Authorities.

Graph 2 – Available authorities compared to previous year (in millions of dollars)



Vote 1 Authority – Operating Expenditures

Available Vote 1 Authorities amounted to \$37.9 million, a decrease of \$0.6 million (2%) compared to fiscal year 2013-2014, mainly attributable to the implementation of savings measures in Budget 2012 and the end of some temporary programs and initiatives.

Vote 5 Authorities – Grants and Contributions

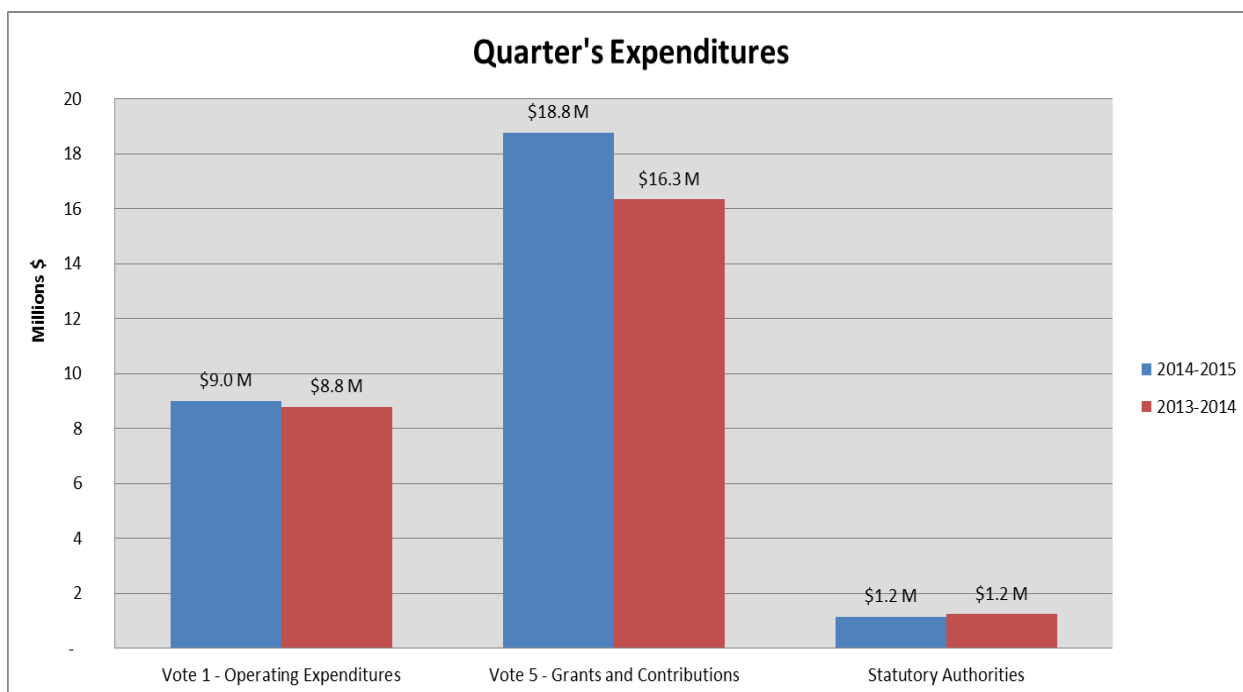
During the first quarter of 2014-2015, Vote 5 Authorities totalled \$205.3 million and are comparable to those of the same quarter of 2013-2014, which amounted to \$211.5 million.

The net decrease of \$6.2 million (3%) is mainly due to the end of the *Community Infrastructure Improvement Fund (CIIF)* program. On the other hand, the Agency has obtained additional funding, in 2014-2015, to pursue two temporary initiatives in Quebec which are: the *Economic Diversification Initiative for Quebec Communities Dependent on the Chrysotile Industry* (2013-2020) and the *Economic Development Initiative for Linguistic Duality* (2013-2018).

2.2 Analysis of Expenditures

Compared to the first quarter of 2013-2014, total expenditures for the first quarter of 2014-2015 increased by \$2.6 million (10%), going from \$26.4 million to \$28.9 million. This increase is attributable to a \$0.2 million (2%) increase in Vote 1 – Operating expenditures and \$2.4 million (15%) in Vote 5 – Grants and Contributions.

Graph 3 – Quarter's expenditures compared to previous year (in millions of dollars)



Vote 1 – Operating Expenditures

Following the implementation of the 2010 Strategic Review and the Deficit Reduction Action Plan, the Agency implemented a number of steps to optimize the management of public funds, so as to comply with key government objectives announced in Budget 2014. Consequently, these efforts resulted in reduced expenses for the Staff standard object (reduction of \$1.1 million compared to the first quarter of 2013-2014). It should be noted that there has also been an increase of almost \$1.0 million for the Other Subsidies and Payments standard object due primarily to a one-time transition payment for implementing salary payment in arrears by the Government of Canada. Overall, the Agency shows only a slight increase of \$0.2 million (2%) of operating expenditures compared to the same quarter in 2013-2014, which is considered insignificant.

(See table *Departmental Budgetary Expenditures by Standard Object*)

Vote 5 – Grants and Contributions Expenditures

During the first quarter of 2014-2015, the Agency spent \$18.8 million in Grants and Contributions compared to \$16.3 million in 2013-2014. This increase of \$2.4 million (15%) can be explained changes in the rhythm with which clients submitted and the Agency paid expenditure reimbursement claims.

(See table *Departmental Budgetary Expenditures by Standard Object*)



SECTION 3

Risks and Uncertainties

3. Risks and Uncertainties

The Agency ensures to have a global view of the evolving factors that influence its environment and intervention to attain its results. These factors are incorporated in its decision making. Thus, the integration of risk management into corporate planning allows the Agency to implement appropriate risk management strategies to achieve its results.

The main risk for the Agency's mandate, which is to promote economic development, is the "economic risk and institutional capacities" directly linked to changes in Quebec and Canada's economic growth outlooks. Moreover, its mandate is also influenced by the availability of funding from other levels of the government or the private sector as well as the potential postponement of SME's investment decisions. To mitigate this risk, for instance, CED continuously oversees the evolution of worldwide, national and provincial economic contexts as well as national and provincial programs.

CED manages the implementation of these mitigation measures in the context of reduced budgetary allocations. It regularly monitors the progress and effectiveness of their implementation through several budgetary review processes and activities along with expenditures analysis and budget estimates by organizational unit on a monthly basis.



SECTION 4

Significant Changes in Relation to
Operations, Personnel and
Programs

4. Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to operations and programs impacting the results of this quarter, other than the implementation of measures related to Budget 2012.

With regard to personnel, it should be noted that, since April 22, 2014, the Deputy Head has worked with a new Executive Director for Corporate Services and Chief Financial Officer, Mr. Marc Lemieux, CMA.



SECTION 5

Budget 2012 Implementation

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus on government and programs: make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

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 2012-2013, the first year of implementation of Budget 2012, CED achieved savings of around \$7.4 million, and approximately \$26.7 million in the second year, 2013-2014. The implementation of savings measures will proceed as expected and will result in savings of \$28.1 million in 2014-2015. Projected savings to be made during the year will result from the continuation of transformation and modernization activities for the Agency so that its services and programs are more accessible and more modern.

The original version was signed by:

Marie Lemay, P.Eng, ing.
Deputy Minister / President
Montreal, Quebec, Canada
August 28th, 2014

Marc Lemieux, MA, CMA, MBA
Chief Financial Officer
Montreal, Quebec, Canada
August 28th, 2014



SECTION 6

Appendix

Statement of Authorities (unaudited)

For the quarter ended June 30, 2014

Authorities	Fiscal Year 2014-2015 (in thousands of dollars)			Fiscal Year 2013-2014 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	37,908	9,003	9,003	38,535	8,794	8,794
Vote 5 – Grants and Contributions	205,309	18,756	18,756	211,467	16,331	16,331
Total Budgetary Statutory Authorities	4,624	1,156	1,156	4,929	1,232	1,232
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	247,841	28,915	28,915	254,931	26,357	26,357

* 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)

Departmental Budgetary Expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2014

Expenditures	Fiscal Year 2014-2015 (in thousands of dollars)			Fiscal Year 2013-2014 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2015*	Spent during the quarter ended June 30, 2014	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2014*	Spent during the quarter ended June 30, 2013	Year-to-date used at quarter end
Staff	32,648	7,968	7,968	33,259	9,065	9,065
Transportation and Communications	2,076	208	208	2,041	161	161
Information	593	28	28	612	33	33
Professional and Special Services	4,349	729	729	4,899	684	684
Rental	988	208	208	919	21	21
Repair and Maintenance	99	3	3	102	5	5
Utilities, Materials and Supplies	297	24	24	204	28	28
Acquisition of Land, Buildings and Works	-	-	-	-	-	-
Acquisition of Machinery and Equipment	1,384	41	41	1,327	23	23
Transfer Payments	205,309	18,756	18,756	211,467	16,331	16,331
Other Subsidies and Payments	99	950	950	101	6	6
Total Net Budgetary Expenditures	247,841	28,915	28,915	254,931	26,357	26,357

* 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)