



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED DECEMBER 31, 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

CED has prepared this quarterly financial report in accordance with subsection 65.1 of the *Financial Administration Act* and Treasury Board (TB) Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This report should be read in conjunction with the 2014–2015 Main Estimates, the Supplementary Estimates, previous quarterly reports for the current year, and Canada’s Economic Action Plan 2012 (*Budget 2012*).

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

1.1. Authorities, Mandate and Program Activities

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into effect on October 5, 2005, CED’s mission is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or where opportunities for productive employment are inadequate.

Additional information on CED’s authorities, 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 CED 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 that Parliament granted to CED along with authorities used by CED, which are consistent with the information presented in the Main Estimates and the Supplementary Estimates 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.

CED 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 CED's authorities related to personnel costs and operating and maintenance expenses; and
- 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 Parliament and which are not part of the annual appropriations bills, include items such as the employer's benefit plan.



SECTION 2

Highlights of Financial and
Year-to-Date (YTD) Results

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

This section presents financial information for the current fiscal year, such as budgetary authorities, quarterly and cumulative expenditures for the quarter ended December 31, 2014, while establishing comparisons with the previous year.

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

Section 2.1, Section 2.2 and the tables in the appendix provide more details on the financial information.

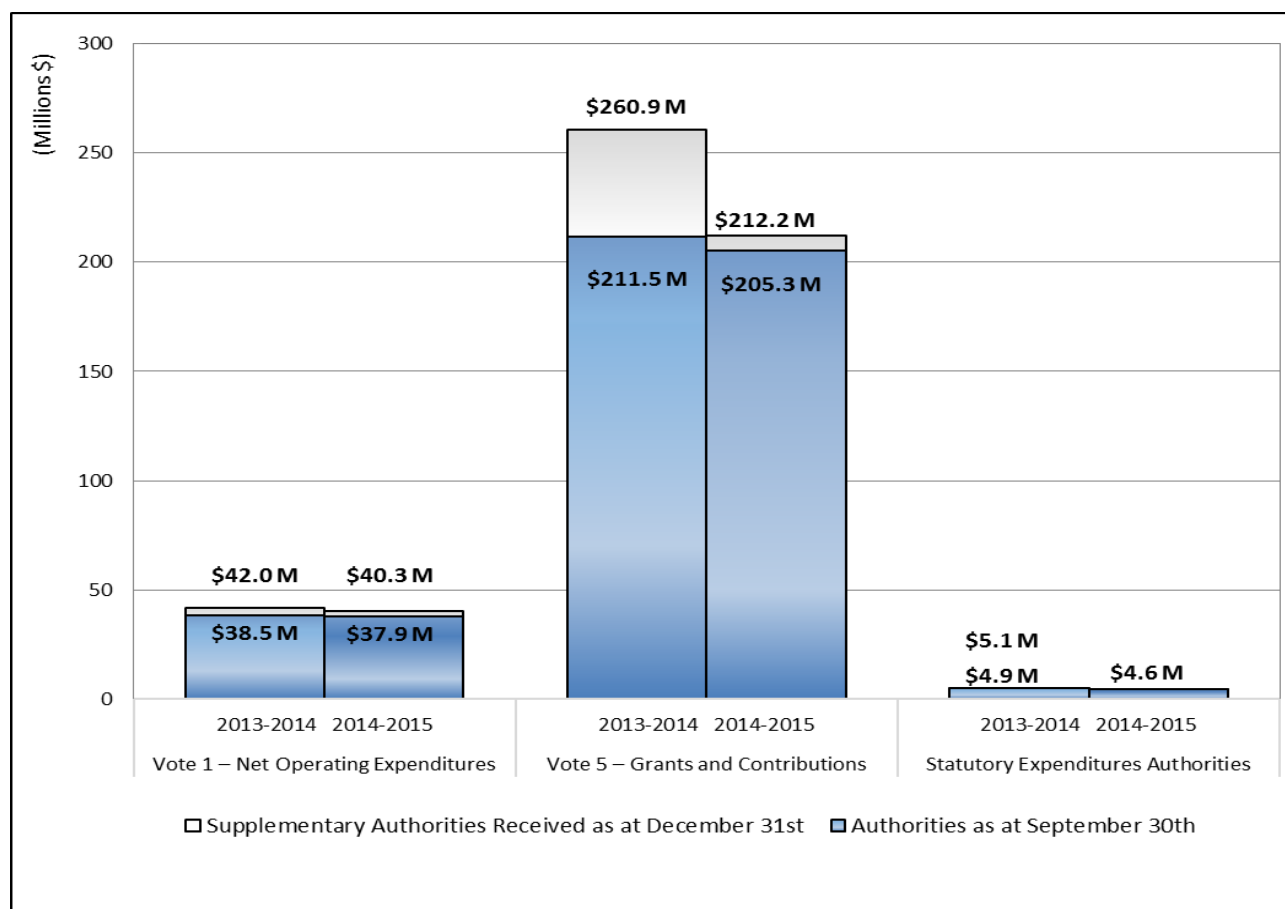
2.1 Analysis of Authorities

At the end of the current quarter, CED's annual authorities totalled \$257.1 million. This is an increase of \$9.3 million, compared with the previous two quarters. This variance results from the authorities obtained during the 2014–2015 fiscal year. This \$9.3-million increase consists of a \$2.4 million increase from Vote 1 and \$6.9 million from Vote 5.

When the current amount of 2014–2015 fiscal year authorities (\$257.1 million) is compared with those of the same period in 2013–2014 (\$308 million), there is a substantial funding variance of \$50.9 million. This variance includes a decrease of \$1.7 million in the current fiscal year from Vote 1 (Operating Expenditures), \$48.7 million from Vote 5 (Grants and Contributions) and \$500,000 from budgetary statutory authorities.

The graph that follows provides an overview of Annual authorities as at September 30th and as at December 31st by budgetary allotment, for fiscal year 2013-2014 as well as 2014-2015.

Graph 1 – Annual authorities by budgetary allotment, as at September 30th, and as at December 31st, for fiscal year 2013-2014 compared to 2014-2015



Vote 1 Authorities – Operating Expenditures

The annual Vote 1 Authorities as at December 31, 2014, totalled \$40.3 million. The available budget in the first two quarters of the current fiscal year was \$37.9 million. The main reasons for the \$2.4 million increase (6.3%) are approval of a 5% operating budget carry forward from the 2013–2014 fiscal year and funds allocated to CED for Quebec Federal Council (QFC) administration costs.

In comparison to the same period in 2013–2014, the available annual appropriations totalled \$42 million. This is a decrease of \$1.7 million (4%) for the current fiscal year.

Vote 5 Authorities – Grants and Contributions

The annual Vote 5 Authorities as at December 31, 2014, totalled \$212.2 million. This is an increase of \$6.9 million (3.4%), compared with the previous two quarters. The main reason for this increase is the approval of a carry forward to the current fiscal year of \$5.9 million for the *Economic Recovery Initiative for Lac-Mégantic*.

Compared with the same period the year before, the annual budget totalled \$260.9 million. There is a significant decrease of \$48.7 million, which is mainly attributable to the allocation of \$33.9 million in additional funding during the 2013–2014 fiscal year for the *Economic Recovery Initiative for*

Lac-Mégantic as well as the approval of a carry forward of \$13.8 million in funding during the same fiscal year for the *Community Infrastructure Improvement Fund (CIIF)*.

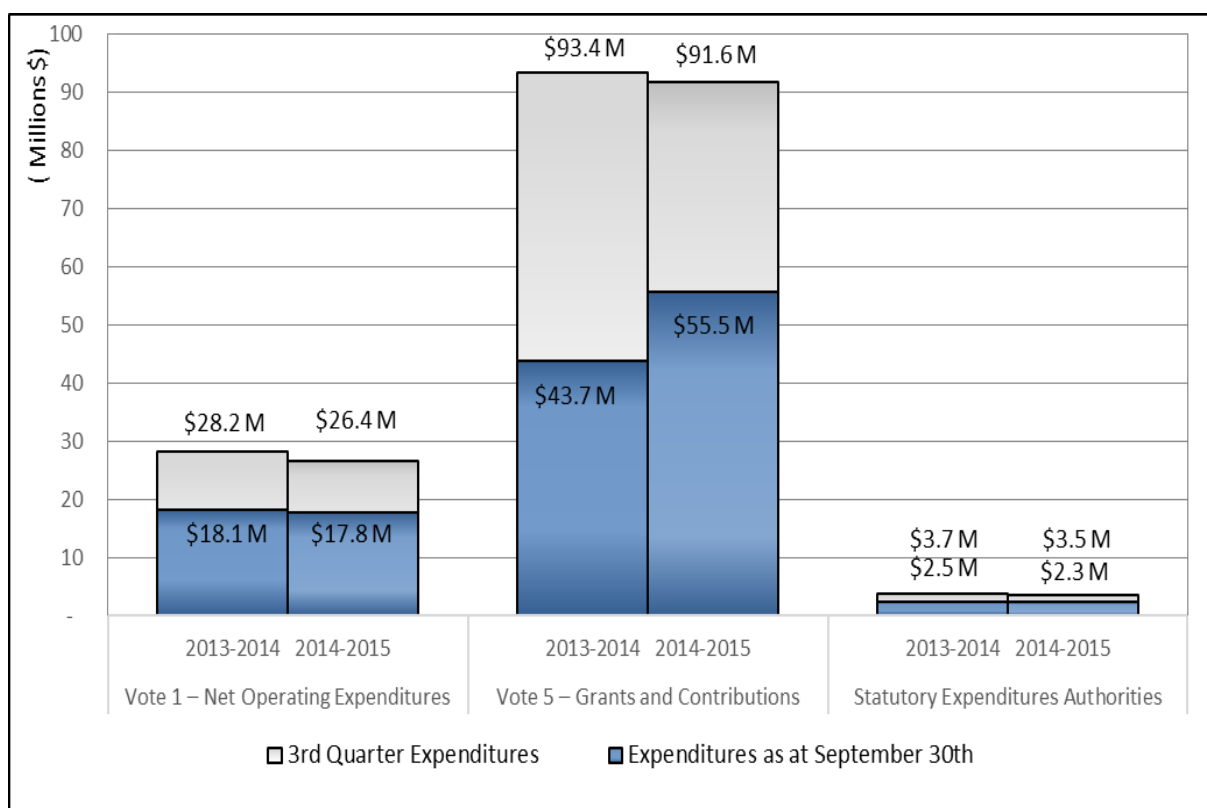
2.2 Analysis of Expenditures

CED's total expenditures recorded in the third quarter of 2014–2015 were \$45.9 million, compared with \$61.1 million during the same period a year earlier. This amounts to a variance of \$15.2 million (25%) mainly attributable to the following:

- A decrease of \$13.6 million (27%) in Vote 5 (Grants and Contributions) payments during the third quarter; and
- A decrease of \$1.6 million (15%) in Vote 1 expenditures.

However, when 2014–2015 year-to-date expenditures are compared with those of 2013–2014, the variances are smaller. In fact, total expenditures recorded for the current fiscal year amount to \$121.5 million, compared with \$125.3 million in 2013–2014. Overall, the variance amounts to \$3.8 million or 3%.

Graph 2 – 3rd quarter expenditures and year-to-date expenditures, by budgetary allotment, compared to last year



Vote 1 – Operating Expenditures

Total expenditures in the third quarter of the current fiscal year amounted to \$8.6 million, compared with \$10.2 million during the same period in 2013–2014. This \$1.6 million (15%) decrease is mainly attributable to staff expenditures, which were \$1.7 million lower.

Cumulatively, the expenditures recorded during the 2014–2015 fiscal year from Vote 1 amounted to \$26.4 million, compared with \$28.2 million in 2013–2014. This is a \$1.8 million (6%) decrease in expenditures for the current year. The main reasons for this variance are the following:

- Expenditures on staff are \$3.1 million (13% lower in 2014–2015 than in 2013–2014 because of a decrease in the number of full-time-equivalents (full-time employees); and
- An increase in expenditures of almost \$1 million for the Other Subsidies and Payments item, incurred in the first quarter of 2014–2015. This increase is attributable to the one-time transition payment made for the purposes of implementing payment in arrears by the Government of Canada.

(For additional information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table in the appendix.)

Vote 5 – Grants and Contributions Expenditures

During the third quarter of 2014–2015, CED spent \$36.1 million in grants and contributions, compared with \$49.7 million in 2013–2014. Although relatively significant, this \$13.6 million variance is attributable to the pace at which clients submitted their claims.

When the total disbursement for grants and contributions in the current year is compared with that of the previous year, there is a smaller variance. As at December 31, 2014, CED had spent \$91.6 million, while as at December 31, 2013, the total amount was \$93.4 million. This \$1.8 million variance amounts to 2% of expenditures and is considered non-significant.

(For additional information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table in the appendix.)



SECTION 3

Risks and Uncertainties

3. Risks and Uncertainties

CED takes a global view of the changing factors that influence its environment and activities, and incorporates these factors into its decision making. By including risk management in its corporate planning, CED is able to implement appropriate risk management strategies to achieve its outcomes.

The main risk for CED'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 prospects. Moreover, its mandate is also influenced by the availability of funding from other levels of government or the private sector, as well as the potential postponement of investment decisions by small- and medium-size enterprises (SMEs). To mitigate this risk, CED continuously reviews changes in international, national and provincial economic outlooks 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 expenditure analysis and budgetary 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.



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 businesses to deal with their government, and modernize and rationalize administrative services.

Canada Economic Development's contribution to this exercise consisted of the following:

- Simplifying its programs;
- Reducing processing times and cutting red tape; and
- 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 planned and result in savings of \$28.1 million in 2014–2015. Projected savings to be made during the year will result from the continuation of CED's transformation and modernization activities to ensure that its services and programs are more accessible and up-to-date.

The original version was signed by

Marie Lemay, P.Eng, ing.
Deputy Minister / President
Montreal, Quebec, Canada
February 27th, 2015

Marc Lemieux, MA, MBA, CMA
Chief Financial Officer
Montreal, Quebec, Canada
February 27th, 2015



SECTION 6

Appendices

6.1 Statement of Authorities (unaudited)

For the quarter ended December 31st, 2014

Authorities	2014–2015 Fiscal Year (in thousands of dollars)			2013–2014 Fiscal Year (in thousands of dollars)		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended December 31, 2014	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended December 31, 2013	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	40 300	8 638	26 446	41 993	10 180	28 250
Vote 5 – Grants and Contributions	212 168	36 070	91 596	260 896	49 693	93 382
Total Budgetary Statutory Authorities	4 624	1 156	3 468	5 118	1 232	3 697
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	257 092	45 865	121 510	308 007	61 105	125 329

*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.)

6.2 Departmental Budgetary Expenditures by Standard Object (unaudited)

For the quarter ended December 31st, 2014

Expenditures	2014-2015 Fiscal Year (in thousands of dollars)			2013-2014 Fiscal Year (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2015*	Spent during the quarter ended December 31, 2014	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2014*	Spent during the quarter ended December 31, 2013	Year-to-date used at quarter end
Staff	32 846	8 119	24 607	34 622	9 932	27 984
Transportation and Communications	2 103	195	637	2 079	186	455
Information	593	72	159	627	133	229
Professional and Special Services	4 604	1 240	2 917	5 019	1 020	2 692
Rental	988	62	302	941	72	304
Repair and Maintenance	99	6	15	105	3	14
Utilities, Materials and Supplies	301	28	85	209	28	90
Acquisition of Land, Buildings and Works	0	0	0	0	0	0
Acquisition of Machinery and Equipment	1 409	53	213	1 246	27	163
Transfer Payments	212 168	36 070	91 596	260 896	49 693	93 382
Other Subsidies and Payments	1 981	18	978	2 263	13	16
Total Net Budgetary Expenditures	257 092	45 865	121 510	308 007	61 105	125 329

*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.)