



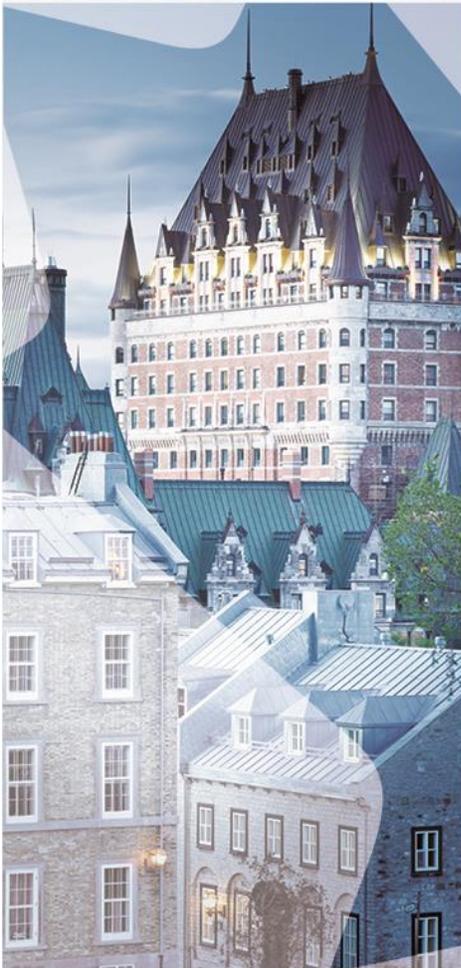
Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2017

1ST QUARTER
2017-18



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SECTION 1
INTRODUCTION

INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development for Quebec regions (CED), as required by subsection 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This report should be read in conjunction with the [Main Estimates for 2017-18](#) and the [Departmental Plan 2017-18](#).

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

1.1 Authorities, Mandate and Programs

The mission of Canada Economic Development for Quebec Regions (CED) is to promote the long-term economic development of the regions of Quebec by according special attention to those regions where slow economic growth is prevalent or where opportunities for productive employment are inadequate. CED exercises its mandate under the provisions of the Economic Development Agency of Canada for the Regions of Quebec Act, which came into force on October 5, 2005. In addition, CED is committed to promoting co-operation and complementarity with Quebec and the communities in Quebec.

Thus, CED aims to foster economic growth through innovation, clean technologies and an inclusive approach. Strategic investments that support transition and diversification and build on competitive regional advantages will set the stage for this renewed vision for the economic development of the regions of Quebec, which is reflected in a single strategic result: A competitive and diversified economy for the regions of Quebec. To achieve this strategic outcome, CED has four programs:

- **Business Development:** This program is designed to support development of enterprises throughout their life cycle so as to enhance Quebec's economic growth. Enterprises are recognized as generating a major share of economic activity and job creation. CED's aim is to foster the emergence of new businesses and the next generation of entrepreneurs. Its aim is also to enhance the competitiveness of existing businesses and help to ensure their survival by improving their performance through the development of production, innovation, commercialization and export capacities.
- **Regional Economic Development:** The purpose of this program is to support the economic development of the various regions in order to increase Quebec's economic growth. The regions of Quebec are not homogeneous and face different circumstances, with issues, challenges and strengths particular to their region. The regions generate prosperity, and their participation in the economy is essential for Quebec's economic growth. CED supports the strengthening of their economic base

by encouraging stakeholder engagement in economic development and stimulating investment in all regions of Quebec.

- **Strengthening Community Economies:** In addition to its regular programs, CED is called upon to develop, administer and implement national programs or temporary, targeted initiatives intended to strengthen community economies and increase Quebec's economic growth. CED supports the economic development of rural communities and ensures the sound and effective management of infrastructure programs in Quebec. CED also supports economic activity in Quebec communities experiencing economic shocks or where there are major economic development issues or promising opportunities for development.
- **Internal Services:** Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically for a program. They ensure greater efficiency in program delivery and thus contribute to providing high quality services for Canadians.

1.2 Basis of Presentation

This quarterly report has been prepared by CED, using an expenditure basis of accounting and a special purpose financial framework designed to meet financial information needs with respect to spending authorities. The Statement of Authorities attached to this report includes CED spending authorities granted by Parliament and used by CED in a manner consistent with the Main Estimates for the fiscal year 2017-18.

The pre-authorization of Parliament is required before funds can be spent by the Government. Authorities available for use are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding 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.

1.3 Canada Economic Development for Quebec regions (CED) Financial Structure

CED manages its expenditures under two annual votes:

- Vote 1—net operating expenditures—includes CED authorities related to staff costs, and operating and maintenance expenditures.
- 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 FISCAL
QUARTER AND FISCAL
YEAR TO DATE (YTD)
RESULTS**

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR TO DATE (YTD) RESULTS

This section provides a variety of financial information for the current fiscal year up to June 30, 2017, including the authorizations available for the year and expenses incurred during the first quarter, as compared with the previous fiscal year.

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

Further details of this financial information are provided in Sections 2.1 and 2.2, and in the tables in the Appendix.

2.1 Authorization analysis

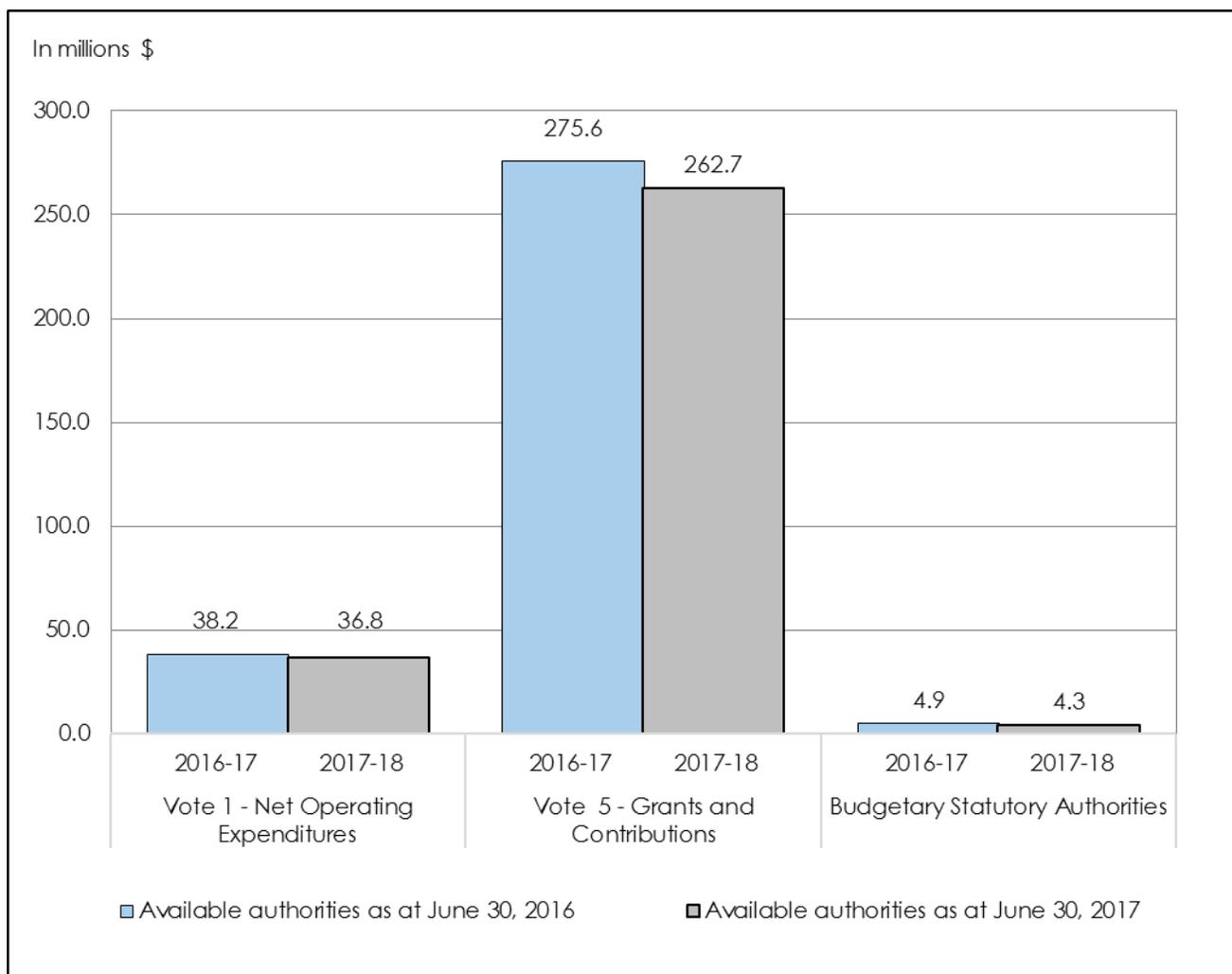
At the end of the 1st quarter, as at June 30, 2017, CED's annual authorities totalled \$303.8 million. They were \$318.7 million as at June 30, 2016.

The variance of \$14.9 million (4.7%) is due to the following changes:

- Vote 1 – Net Operating Expenditures of -\$1.4 million;
- Vote 5 – Grants and Contributions of -\$12.9 million;
- Budgetary statutory authorities of -\$0.6 million.

The following graph shows the annual budgetary authorities by vote on June 30, 2017, compared with the previous fiscal year.

Annual budgetary authorities by appropriation as at June 30, fiscal year 2017-18 compared with 2016-17



Vote 1 authorities (Net Operating expenditures)

We note a decrease of \$1.4 million (-3.7%) as at June 30, 2017, compared with the same period in fiscal year 2016-17. The variance is not significant.

Vote 5 authorities (Grants and Contributions)

As at June 30, 2016, the annual authorities available for Vote 5 were \$275.6 million. As at June 30, 2017, this amount is \$262.7 million, a decrease of \$12.9 million (-4.7%). This decrease is due to the addition and conclusion of certain temporary initiatives, including the addition of the Canada 150 Community Infrastructure Program (Component I and II) and the completion of the Natural Gas Network Extension Between Lévis and Sainte-Claire (Bellechasse Gas Pipeline).

2.2 Expenditure analysis

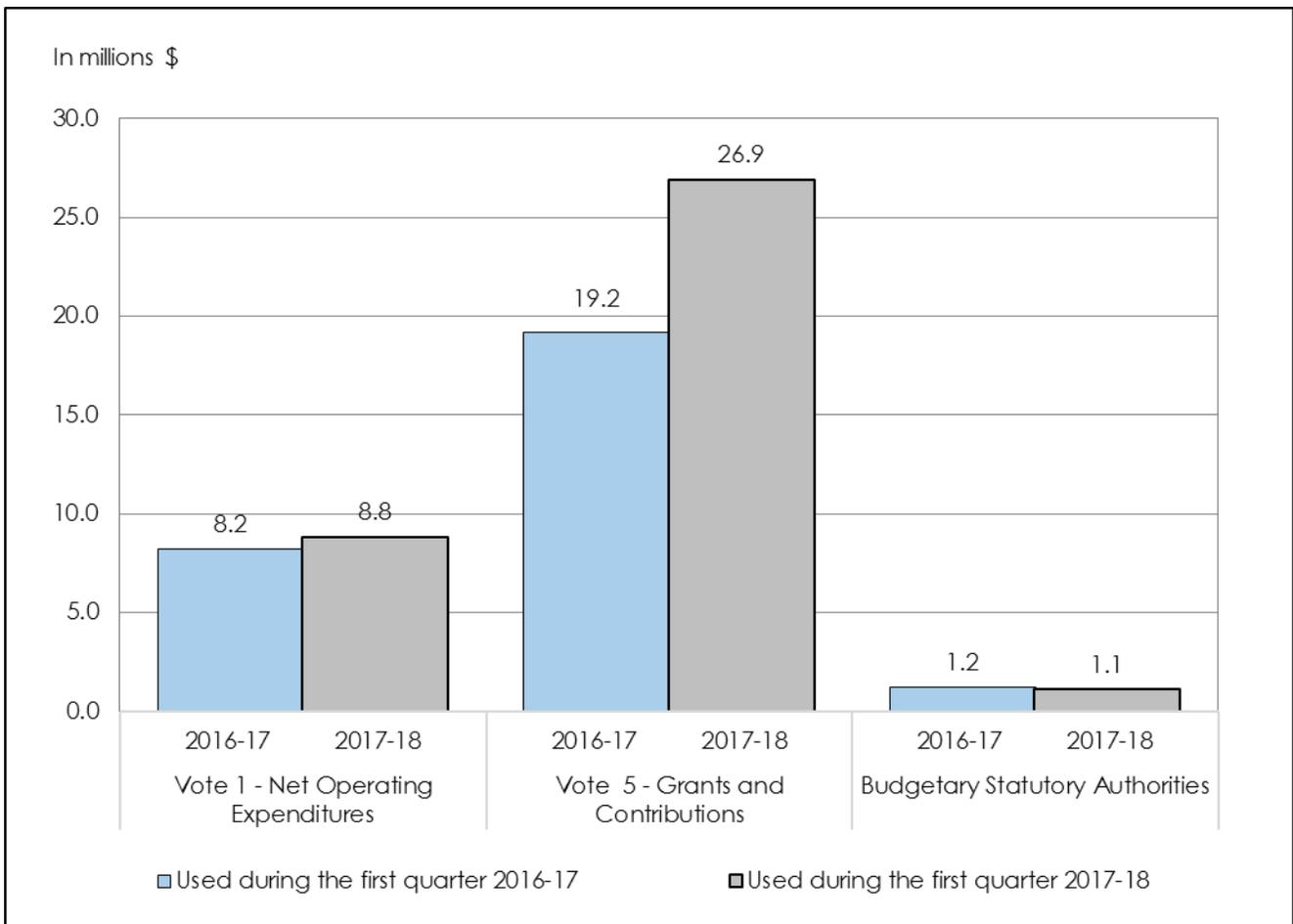
The total amount of CED expenditures recorded during the first quarter of 2017-18 was \$36.8 million, compared with \$28.6 million during the same quarter of the previous year. This represents a net increase of \$8.2 million (+28.6%) compared with the previous fiscal year.

This increase can be broken down as follows:

- Vote 1 – Net Operating Expenditures of +\$0.6 million;
- Vote 5 – Grants and Contributions of +\$7.7 million;
- Budgetary statutory authorities of -\$0.1 million.

The following graph illustrates 1st quarter 2017-18 expenditures per vote, compared with the previous fiscal year.

First Quarter Expenditures by Budgetary Appropriation, Fiscal Year 2017-18 Compared with 2016-17



Vote 1 expenditures (net operating expenditures)

Net operating expenses for the first quarter of 2017-18 and the first quarter of 2016-17 were \$8.8 million and \$8.2 million respectively.

The variance of \$0.6 million (7.3%) comprises several items, including "Staff" expenses, which increased by \$1.1 million (Employee Benefit Plans included), of which \$0.8 million was used to pay for the renewal of collective agreements that had expired.

When consulting the *Departmental budgetary expenditures by Standard Object* table in the Appendix, please note that the Canada Business Service Centre (CBSC) expenditures are charged to the Advance Account under the current item "Other Grants and Payments" since 2015-2016, until they are duly authorized and charged to Professional and Special Services. The difference observed in this article between the first quarter of 2016-17 and 2017-18 can be explained by the fact that there has not yet been a claim from the CBSC, while there was a claim for \$0.4 million in the same quarter last year, and other miscellaneous expenses incurred during the first quarter of 2017-18.

(For further details on these expenditures, see the table, Departmental budgetary expenditures by Standard Object in Appendix 5.2.)

Vote 5 expenditures (Grants and Contributions)

During the first quarter of 2017-18, CED spent \$26.9 million on grants and contributions. This represents an increase of \$7.7 million (+ 40.1%) compared with the first quarter of 2016-17.

This difference is explained by the fact that there were more claims in the Business Development Program and the Community Development Program at the beginning of the year. Also, significant expenses of approximately \$2.7 million incurred during the first quarter include the Canada 150 Community Infrastructure Program and the Canadian Economic Diversification Initiative for Communities Dependent on the Chrysotile Industry. These programs were less active beginning 2016-17 in terms of expenditures (\$0.2 million).

(For further details on these expenditures, see the table, Departmental budgetary expenditures by Standard Object in Appendix 5.2.)

SECTION 3

RISKS AND UNCERTAINTIES



RISKS AND UNCERTAINTIES

To achieve its results, CED needs to have an overview of the changing factors that have a marked impact on its environment and activities. It integrates these factors into its decision-making process. Incorporating risk management in departmental planning allows CED to implement appropriate risk management strategies in order to achieve its results.

CED has a mandate to promote economic development; therefore its principal external risk is linked to its ability to adapt the delivery of its mandate in a changing economic environment. Many factors, such as fluctuations in the value of commodities and the Canadian dollar, strong global competition in certain industries, numerous technological and policy changes, as well as changes in market measures affecting trade on the world markets, are likely to have an impact on the delivery of the organization's mandate. These external factors may limit CED's ability to achieve its expected results, including the creation of new businesses and the expansion of existing businesses. To mitigate this risk, for example, CED will continue to develop and implement regional strategies and scorecards to monitor departmental priorities.

The internal risk for CED, linked to the maintenance of a functional and secure technological infrastructure, is most likely to have an impact on the achievement of CED's results over the next year. CED's current technological infrastructure is ageing; the risk of service outages or data loss is increasing, pending infrastructure renewal or migration to a data centre. These data outages or losses could adversely affect the reliability of the financial information presented in CED's reporting, and limit the ability to appropriately track its financial situation. To mitigate this risk, the scope of which is beyond the control of CED, which has maintained a close relationship with the central agencies and the FreeBalance consulting group, and has assessed its options and its plan for maintaining and renewing its technological assets in order to address infrastructure and technology needs, as well as information management systems.

CED manages its resources within a well-defined framework of responsibilities, policies and procedures, including an appropriate system of budget, reporting, and other controls allowing it to manage its operations within the limits of available resources and Parliamentary authorizations. It regularly monitors the progress and effectiveness of their implementation through several budgetary review processes and activities, together with expenditure analysis and budgetary estimates by organizational unit on a monthly basis. The financial risks are mitigated in large part by the implementation of strong internal controls over financial reporting. CED conducts periodic assessments such as entity controls, general IT controls, and business process controls. In April 2016, a new government-wide pay system—Phoenix—was implemented at CED. This new system entails changes in the pay approval process and in the interconnectivity of the existing systems with CED. More rigorous controls were put in place to monitor the implementation of the system and the impact of the system on employee pay. CED closely follows the progress of negotiations in relation to the renewal of collective agreements and takes the necessary measures to manage the increase in wage costs.

SECTION 4

**SIGNIFICANT CHANGES IN
OPERATIONS, STAFF AND
PROGRAMS**

Significant changes in operations, staff and programs

In its approach to collective bargaining and the renewal of collective agreements, the Government's goal is to ensure fair compensation for employees and, at the same time, to deliver on our overall fiscal responsibility and our commitment to the priorities of the Government and Canadians.

The Government of Canada respects the collective bargaining process and negotiates with unions to reach agreements by means of this process. Several past-due agreements have been renewed and signed over the past few months. Depending on classifications, the Government will have between 90 and 120 days to make retroactive payments for signed agreements.

Many CED real estate portfolio leases will expire between 2017 and 2021, giving CED an opportunity to adhere to the Government of Canada's vision for modern workplaces. Much more than moves, this change is an opportunity both to modernize the workspace and to innovate through new ways of doing things.

A project team has been set up for the relocation of CED's headquarters, and several expenses for the move will be forthcoming, with the lease coming into effect on April 1, 2018, for a period of 10 years.

As to staff, it is noteworthy that, as of April 3, 2017, the deputy head is supported by a new Executive Director of Corporate Services and Chief Financial Officer, Guy Lepage.

Approval of senior management

Approved by:

Manon Brassard

Deputy Minister

Montreal, Canada

August 29, 2017

Guy Lepage

Chief Financial Officer

August 29, 2017

SECTION 5

APPENDICES

5.1 Statement of Authorities (unaudited)

Fiscal year 2017-18 (in thousands of dollars)

	Total available appropriations for the fiscal year ending March 31, 2018*	Appropriations used for the quarter ended June 30, 2017	Cumulative end of quarter appropriation use
Vote 1 – Net Operating Expenditures	36,755	8,823	8,823
Vote 5 – Grants and Contributions	262,730	26,912	26,912
Total budgetary legislative approvals	4,332	1,083	1,083
Total authorizations	303,817	36,818	36,818

Fiscal year 2016-17 (in thousands of dollars)

	Total available appropriations for the fiscal year ending March 31, 2017*	Appropriations used for the quarter ended June 30, 2016	Cumulative end of quarter appropriation use
Vote 1 – Net Operating Expenditures	38,181	8,219	8,219
Vote 5 – Grants and Contributions	275,622	19,186	19,186
Total budgetary legislative approvals	4,917	1,229	1,229
Total authorizations	318,720	28,634	28,634

More information is available in the attached table.

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

5.2 Departmental Budgetary Expenditures by Standard Object (Unaudited)

Fiscal 2017-18 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended June 30 2017	Cumulative end of quarter appropriation use
Expenses:			
Staff*	31,923	8,948	8,948
Transport and communication	995	183	183
Information	440	19	19
Professional and special services	5,738	384	384
Leasing	713	199	199
Repair and maintenance services	40	5	5
Public utilities, materials and supplies	194	21	21
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	747	26	26
Transfer payments	262,730	26,912	26,912
Other grants and payments	297	121	121
Total net budgetary expenditures	303,817	36,818	36,818

* Employee Benefit Plans (EBP) included

Fiscal year 2016-17 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended June 30, 2016	Cumulative end of quarter appropriation use
Expenses:			
Staff*	33,508	7,840	7,840
Transport and communication	1,235	201	201
Information	482	54	54
Professional and special services	5,952	850	850
Leasing	739	27	27
Repair and maintenance services	47	3	3
Public utilities, materials and supplies	232	24	24
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	884	19	19
Transfer payments	275,622	19,186	19,186
Other grants and payments	19	430	430
Total net budgetary expenditures	318,720	28,634	28,634

* Employee Benefit Plans (EBP) included