



Quarterly financial report for the quarter ended September 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 quarterly financial 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 Estimates* and the Supplemental 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.

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 the Agency'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 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

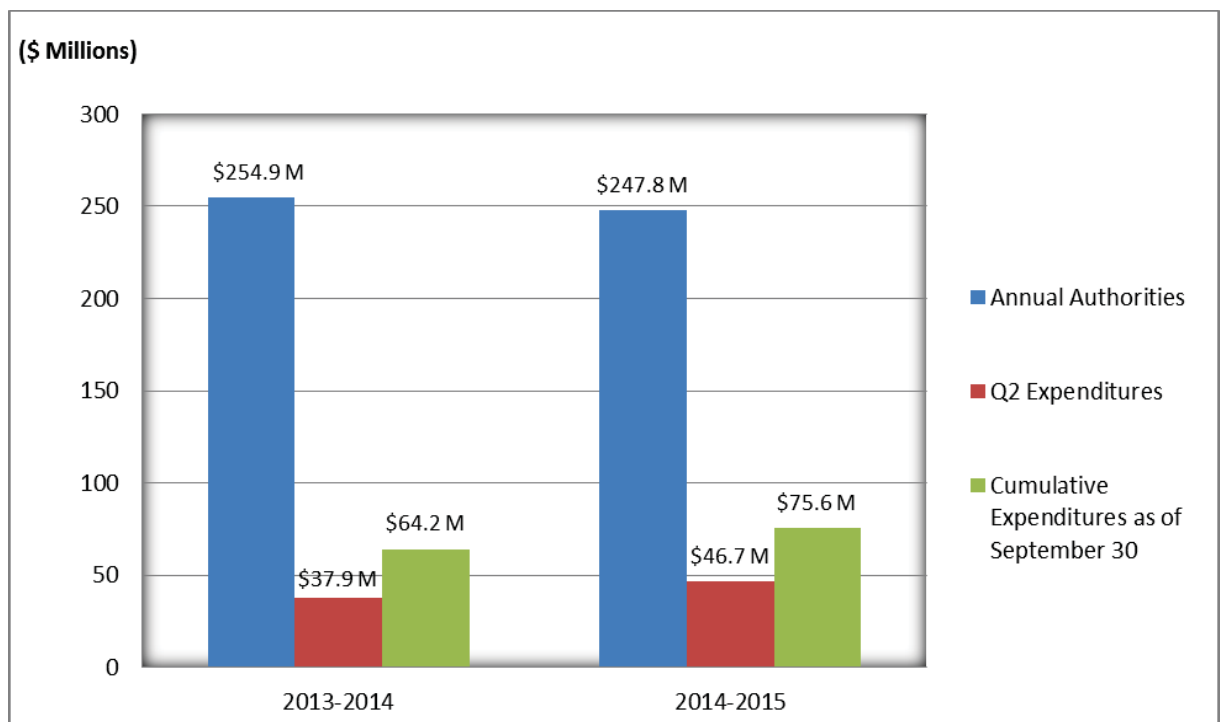
This section presents various financial information for the current fiscal year, such as budgetary authorities, quarterly and cumulative expenditures for the quarter ending September 30th, while establishing comparisons with the previous year.

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

The graph below provides an overview of total expenditures as of September 30th (quarterly and cumulative) compared to total annual authorities, for both the current and previous year.

Further details of these changes are presented in Section 2.1, Section 2.2 and the tables in the appendix.

Graph 1 – Total expenditures as of September 30 compared to total annual authorities



2.1 Analysis of Authorities

At the end of the current quarter, the Agency’s annual authorities totalled \$247.8 million. This the same amount reported for the first quarter of 2014-2015 (no discrepancy observed). The current amount of authorities represents a net decrease of \$7.1 million compared to the same period last year.

Vote 1 Authority – Operating Expenditures

Available Vote 1 Authorities amounted to \$37.9 million for the current period, compared to \$38.5 million in 2013-14. This is a decrease of \$0.5 million (2%) compared last year’s budget.

Vote 5 Authorities – Grants and Contributions

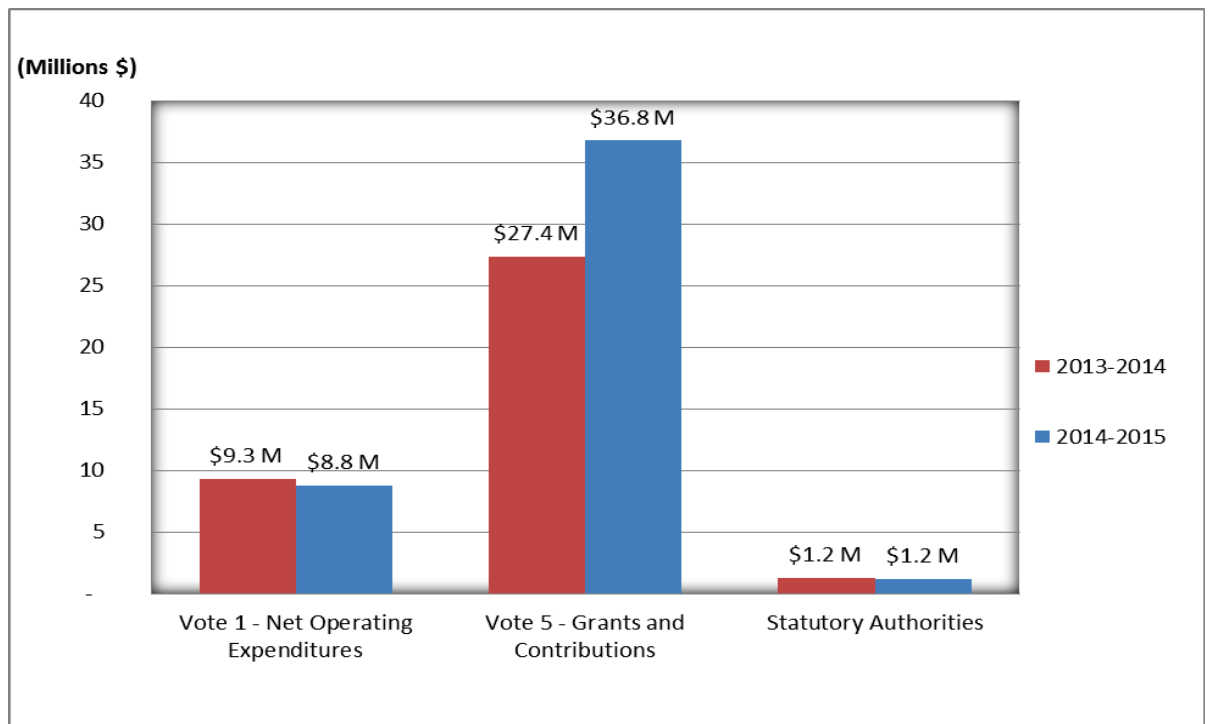
Vote 5 Authorities totalled \$205.3 million for the current period and are comparable to those of 2013-2014, which amounted to \$211.5 million. This is a net decrease of 6.2 million (3%).

2.2 Analysis of Expenditures

Compared to the second quarter of 2013-2014, total expenditures recorded during the second quarter of 2014-2015 increased by \$8.8 million (23%), from \$37.9 million to \$46.7 million. This increase is attributable to a:

- \$0.5 million decrease in Vote 1 – Operating expenditures
- \$9.4 million increase in Vote 5 – Grants and Contributions.

Graph 2 – Second quarter expenditures by type of expenditures compared to the previous year



Vote 1 – Operating Expenditures

Overall, the Agency reported a net decrease of \$0.5 million (5%) of operating expenses for the quarter compared to the same period in 2013-2014. This decrease is not considered significant. It is the result of upward and downward variances in the various standard objects, deemed insignificant as well.

That being said, there is an increase of almost \$1.0 million in the “Other Subsidies and Payments” standard object. This is attributable to a one-time transition payment, made during the first quarter, for the implementation of salary payment in arrears by the Government of Canada.

(See table *Departmental Budgetary Expenditures by Standard Object* in the Appendix for more details)

Vote 5 – Grants and Contributions Expenditures

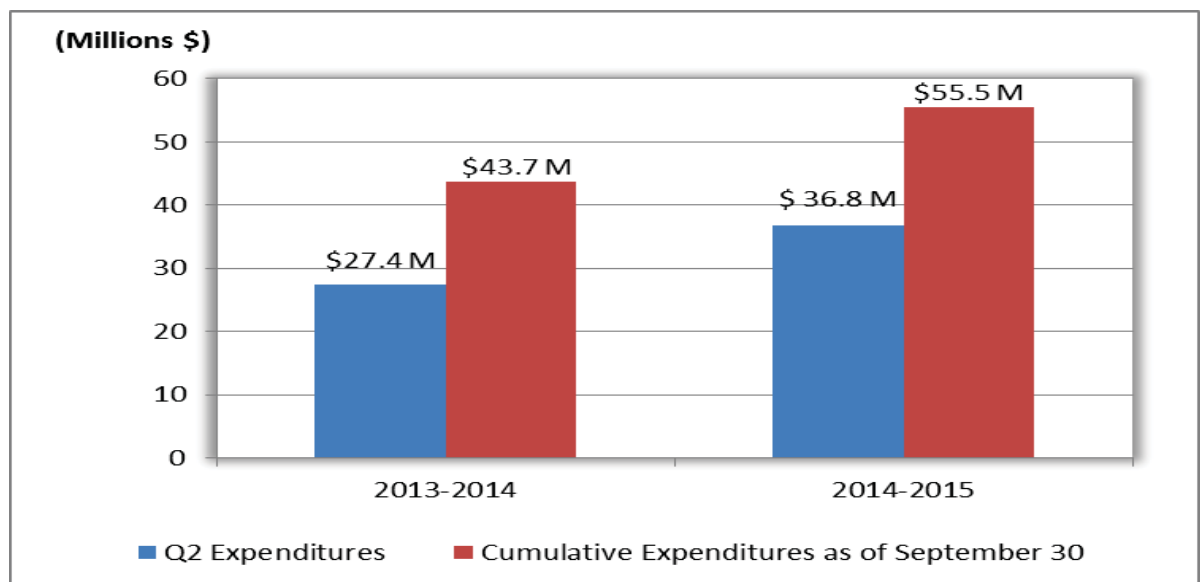
During the second quarter of 2014-2015, the Agency spent \$36.8 million in Grants and Contributions compared to \$27.4 million in 2013-2014. This is an increase of \$9.4 million (34%).

On a cumulative basis, for the first half of the fiscal year 2014-15, there is a net increase of \$11.8 million (27%) in Vote 5 – Grants and Contributions expenditures compared to the same semester in 2013-2014.

Although relatively important, this increase in spending is due to the rate at which clients have submitted their claims. Incurred expenditures represent 27% of the annual authorities.

(See table *Departmental Budgetary Expenditures by Standard Object* in the Appendix for more details)

Graph 3 – Grants and Contributions Expenditures (Second quarter and cumulative) compared to the previous year





SECTION 3

Risks and Uncertainties

3. Risks and Uncertainties

The Agency makes sure to take a global view of the evolving factors that influence its environment and interventions 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 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 SME's investment decisions. To mitigate this risk, for instance, the Agency continuously reviews the evolution of worldwide, national and provincial economic prospects as well as national and provincial programs.

The Agency 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, 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.

Also, during the second quarter of 2014-2015, a new Vice-President was appointed to the Policy and Communications Sector.



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: to make it easier for Canadians and business to deal with their government; and, to 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, the Agency 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
November 28th, 2014

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



SECTION 6

Appendix

6.1 Statement of Authorities (unaudited)

For the quarter ended September 30, 2014

	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 September 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 September 30, 2013	Year-to-date used at quarter end
Authorities						
Vote 1 – Net Operating Expenditures	37,907	8,804	17,807	38,535	9,276	18,069
Vote 5 – Grants and Contributions	205,310	36,770	55,526	211,467	27,358	43,689
Total Budgetary Statutory Authorities	4,624	1,156	2,312	4,929	1,232	2,465
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	247,841	46,730	75,645	254,931	37,866	64,223

* 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 September 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 September 30, 2014	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2014*	Spent during the quarter ended September 30, 2013	Year-to-date used at quarter end
Staff	32,648	8,520	16,488	33,259	8,987	18,052
Transportation and Communications	2,075	234	442	2,041	102	267
Information	593	59	87	612	62	95
Professional and Special Services	4,349	948	1,677	4,899	990	1,674
Rental	988	32	240	919	211	232
Repair and Maintenance	99	6	9	102	6	11
Utilities, Materials and Supplies	297	33	57	204	34	63
Acquisition of Land, Buildings and Works	-	-	-	-	-	-
Acquisition of Machinery and Equipment	1,384	120	160	1,327	113	136
Transfer Payments	205,309	36,770	55,526	211,467	27,358	43,689
Other Subsidies and Payments	99	8	959	102	2	4
Total Net Budgetary Expenditures	247,841	46,730	75,645	254,931	37,866	64,223

* 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)