

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended June 30, 2017**

## **Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs**

### **1. Introduction**

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA), and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2017-18 [Main Estimates](#). This report has not been subject to an external audit or review.

#### **1.1 Authority, mandate and programs**

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act*, and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting postsecondary students and postdoctoral fellows in their advanced studies, promoting discovery by funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

#### **1.2 Basis of presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates for fiscal year 2017-18. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

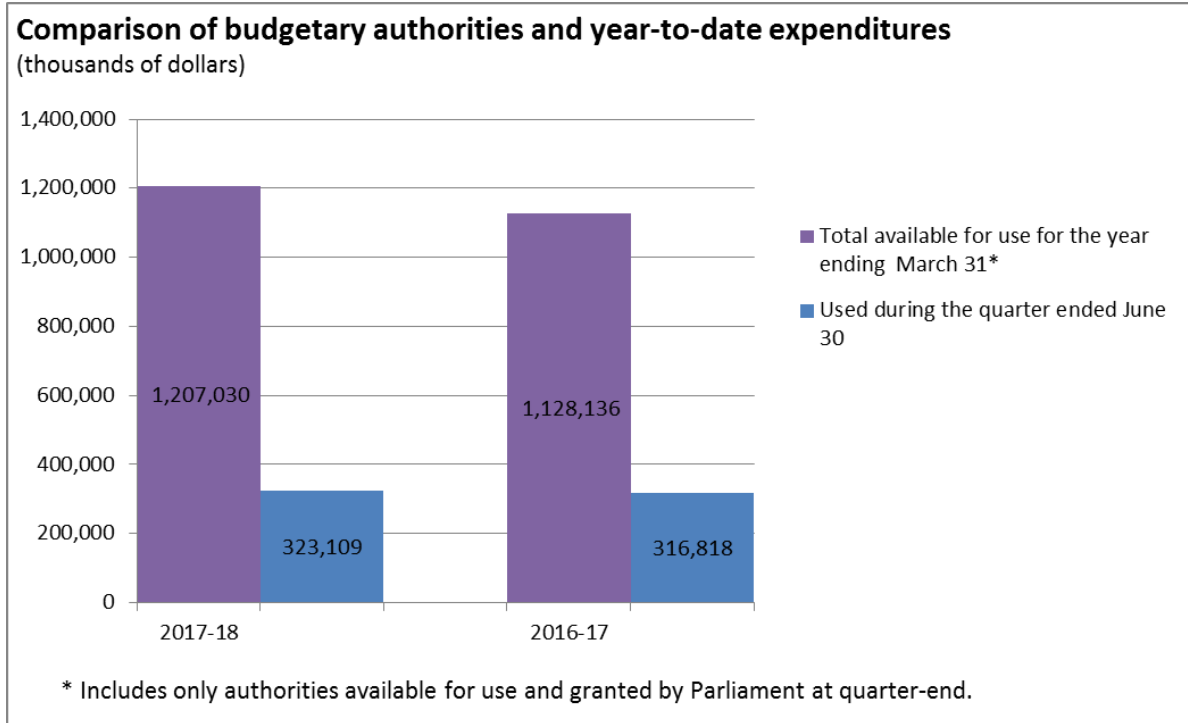
### **2. Highlights of fiscal quarter and fiscal year-to-date results**

This QFR reflects the results of the current fiscal period in relation to the 2017-18 Main Estimates.

Sections 2.1 and 2.2 below highlight the significant items that contributed to the net increase in resources available from fiscal year 2016-17 to fiscal year 2017-18 and the actual expenditures as at June 30, 2016, and June 30, 2017.

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The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures for the first quarter of fiscal year 2017-18 and fiscal year 2016-17.



## 2.1 Significant changes to budgetary authorities

NSERC's total budgetary authority available in the first quarter ending June 30, 2017, was \$1,207 million. This represents an overall increase of \$78.9 million (7%) from the comparative period of the previous year, of which \$78.5 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$0.6 million to an increase in net operating expenditures (Vote 1) and \$0.2 million to a decrease in budgetary statutory authorities.

The \$78.9 million variation in NSERC's budgets between the current and previous fiscal years include:

- An increase of \$70.2 million for the Canada First Research Excellence Fund, a tri-agency initiative, to help institutions excel globally in research areas that create long-term economic advantages for Canada;
- An increase of \$29.9 million from Budget 2016 to support discovery research in the natural sciences and engineering;
- A decrease of \$9.0 million for the Canada Excellence Research Chairs Program due to the ending of the first award cycle;
- A decrease of \$7.0 million for the Climate Change and Atmospheric Research due to sunset of the program;
- A decrease of \$3.0 million to Canada-India Research Centre of Excellence due to sunset of the program;
- A decrease of \$1.7 million in the funding for the Centres of Excellence for Commercialization and Research program, which supports world-renowned researchers and their teams to establish ambitious research programs at Canadian universities.

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- A decrease of \$0.5 million in the operating budget mainly related to the Budget 2016 reductions in professional services, travel and advertising.

**2.2 Significant changes to authorities used**

The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

**Year-to-date budgetary expenditures used at quarter-end**

(millions of dollars)

**Vote 1 - Operating expenditures**

	2017-18	2016-17	Variance
Personnel	9.8	9.6	0.2
Non-personnel	1.7	1.9	(0.2)

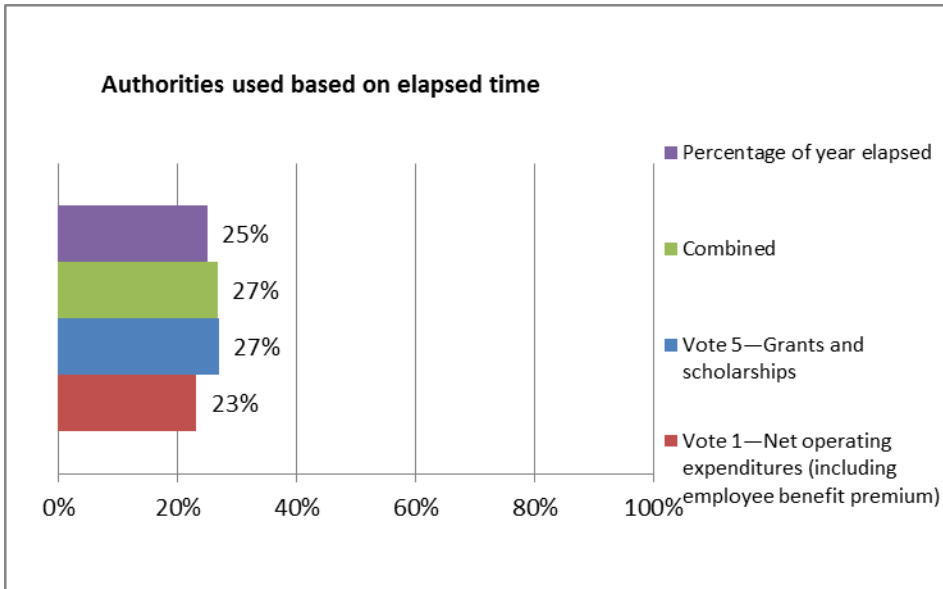
**Vote 5 - Grants and scholarships**

311.6	305.3	6.3
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**Total budgetary expenditures**

<b>323.1</b>	<b>316.8</b>	<b>6.3</b>
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Total budgetary expenditures amounted to \$323.1 million at the end of the first quarter of fiscal year 2017-18, compared to \$316.8 million reported in the same period in the previous fiscal year. The total authorities used at the end of the first quarter (\$323.1 million) represent 27% of total available authorities (\$1,207.0 million).



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Grants and Scholarships

Transfer payments represent 95.9% of NSERC's available authorities. Grant and scholarship payments vary between periods due to the competition cycles and results of peer reviewed programs and multiyear award profiles. During the first quarter of fiscal year 2017-18, NSERC's transfer payment expenditures have increased by \$6.3 million, compared with the same quarter of the previous fiscal year. The differences in specific programs from year to year are as follow:

- an increase of \$17.6 million due to expanded program authorities for the Canada First Research Excellence Fund;
- an increase of \$8.2 million due to expanded program authorities to support Discovery Research Program;
- a decrease of \$1.1 million due to the ending of the first award cycle for the Canada Excellence Research Chairs Program; and
- a decrease of \$18.4 million due to timing differences on payments for the following programs:
  - Engage Grants (\$4.0 million)
  - Canada Research Chairs Program (\$3.8 million)
  - Canada Graduate Scholarships (\$3.7 million)
  - Collaborative Health Research Projects (\$3.2 million)
  - Networks of Centres of Excellence suite of programs (\$2.2 million)
  - Collaborative and Thematic Resources Support in Mathematics and Statistics (\$1.5 million)

Operating Expenditures

Operating expenditures cover personnel and other operating expenses required to support the delivery of grant and scholarship programs. Expenditures related to the employee benefit plan are accounted for separately in statutory authorities. Although the majority of personnel expenditures and other operating costs are incurred in a consistent manner throughout the fiscal year, the balance of expenditures, including temporary employees hired for the peak competition season and travel costs for peer reviewers, are tied to the program cycle and are demand-driven. As a large proportion of program competitions occur in the final quarter of the fiscal year, the operating expenditures in each of the first three quarters are typically less than 25% of the annual operating available authorities.

Personnel expenditures in support of program delivery account for the largest proportion of NSERC's planned operating expenditures (approximately 79% of available operating authorities and planned operating expenditures for fiscal year 2017-18). The personnel expenditures are in line with previous year expenditures.

Non-personnel operating expenditures include all other operating costs related to the support of program delivery. A significant portion of these costs relate to funding opportunity competitions that take place predominantly during the final quarter of the fiscal year. Total non-personnel expenditures are in line with previous year expenditures.

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### **3. Risks and Uncertainties**

#### **Funding and Program Delivery Risk Factors**

NSERC annually identifies corporate level risks and develops response measures in order to minimize their likelihood and/or impact.

#### **External Risk Factors**

**Organizational Capacity / Resource Management and Prioritization:** The risk that NSERC, as a small agency, may be limited in its ability to reallocate/utilize resources effectively to meet strategic and operational needs and respond to government priorities.

- Risk response: The implementation of the NSERC 2020 Strategic Plan will continue to involve consultations with external stakeholders to ensure that it remains responsive to Canadian stakeholder needs and aligns with Government of Canada priorities. NSERC will assess and prioritize government-wide initiatives to define a resource plan linking project decisions and human/financial resources. NSERC and the Social Sciences and Humanities Research Council will work together to replace their respective aging and disparate grants management systems with a shared solution.

NSERC will implement its People Strategy Action Plan to ensure that the workforce is well prepared to adapt to change and to promote workplace wellness and mental health.

#### **Internal Risk Factors**

**Ability to Manage Change:** The risk that NSERC may face challenges to adjust in a timely way to government policy decisions (e.g., resulting from the Fundamental Science Review and the Innovation and Skills Plan).

- Risk response: NSERC will work within its existing governance, planning and priority setting mechanisms to adapt to changing priorities in delivering on the agency's core mandate and NSERC 2020 strategic goals.

### **4. Significant Changes Related to Operations, Personnel and Programs**

The Government of Canada indicated in the mandate letters to the minister of Innovation, Science and Economic Development and the minister of Science that “investments in scientific research, including an appropriate balance between fundamental research to support new discoveries and the commercialization of ideas, will lead to good jobs and sustainable economic growth”<sup>1</sup>.

Budget 2017 provided insight into this commitment and its Innovation and Skills Plan by announcing “Innovation Canada, a new platform led by Innovation, Science and Economic Development Canada that will coordinate and simplify the support available to Canada’s innovators.”<sup>2</sup>

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<sup>1</sup> Minister of Science Mandate Letter  
<http://pm.gc.ca/eng/minister-science-mandate-letter>

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Through Innovation Canada, the government “proposes to review dozens of innovation programs situated across many departments to see how they will be consolidated and simplified.”<sup>2</sup>

Budget 2017 also announced “a new organization to support skills development and measurement in Canada”.<sup>2</sup>

Canada’s Fundamental Science Review, which was released April 2017, “outlines a comprehensive agenda to strengthen the foundations of Canadian extramural research.”<sup>3</sup> NSERC’s plans and governance will be impacted by the minister’s response to the report. It is within this context that NSERC is implementing its strategic plan and corporate key commitments.

Approved by:

*Original signed by*

**B. Mario Pinto, PhD, FCIC, FRSC**  
**President, NSERC**

*Original signed by*

**Patricia Sauvé-McCuan**  
**Vice-President and**  
**Chief Financial Officer, NSERC**

**Ottawa, Canada**  
**August 28, 2017**

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<sup>2</sup> Federal Budget 2017 (Chapter 1 - Skills, Innovation and Middle Class Jobs, Part 2 - A Nation of Innovators)  
<http://www.budget.gc.ca/2017/docs/plan/chap-01-en.html?undefined&wbdisable=true>

<sup>3</sup> Canada’s Fundamental Science Review, Investing in Canada’s Future  
[http://www.sciencereview.ca/eic/site/059.nsf/vwapi/ScienceReview\\_April2017-rv.pdf/\\$file/ScienceReview\\_April2017-rv.pdf](http://www.sciencereview.ca/eic/site/059.nsf/vwapi/ScienceReview_April2017-rv.pdf/$file/ScienceReview_April2017-rv.pdf)

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**5. Statement of authorities (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal year 2017-18			Fiscal year 2016-17		
	Total available for use for the year ending March 31, 2018*	Used during the quarter ended June 30, 2017	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2017*	Used during the quarter ended June 30, 2016	Year-to-date used at quarter-end
Vote 1 — Net operating expenditures	44,692	10,297	10,297	44,109	10,214	10,214
Vote 5 — Grants and scholarships	1,156,972	311,615	311,615	1,078,435	305,319	305,319
Budgetary statutory authorities						
Contributions to the employee benefit plan	4,787	1,197	1,197	5,213	1,285	1,285
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	579	-	-	379	-	-
<b>Total budgetary authorities</b>	<b>1,207,030</b>	<b>323,109</b>	<b>323,109</b>	<b>1,128,136</b>	<b>316,818</b>	<b>316,818</b>

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

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**6. Departmental budgetary expenditures by standard object (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal year 2017-18			Fiscal year 2016-17		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year-to-date used at quarter-end
<b>Expenditures</b>						
Personnel	35,367	9,762	9,762	35,554	9,643	9,643
Transportation and communications	5,035	462	462	4,357	372	372
Information	1,669	366	366	1,171	190	190
Professional and special services	5,105	399	399	5,614	671	671
Rentals	1,494	402	402	1,530	507	507
Repair and maintenance	220	33	33	208	42	42
Utilities, materials and supplies	263	46	46	191	47	47
Acquisition of machinery and equipment	905	24	24	1,076	27	27
Transfer payments	1,156,972	311,615	311,615	1,078,435	305,319	305,319
<b>Total budgetary expenditures</b>	<b>1,207,030</b>	<b>323,109</b>	<b>323,109</b>	<b>1,128,136</b>	<b>316,818</b>	<b>316,818</b>