

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 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 [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

Management prepared this quarterly report 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 2017-18, the [Supplementary Estimates \(A\)](#) and (B) and the operating budget carry-forward. 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 the Government of Canada can spend monies. 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.

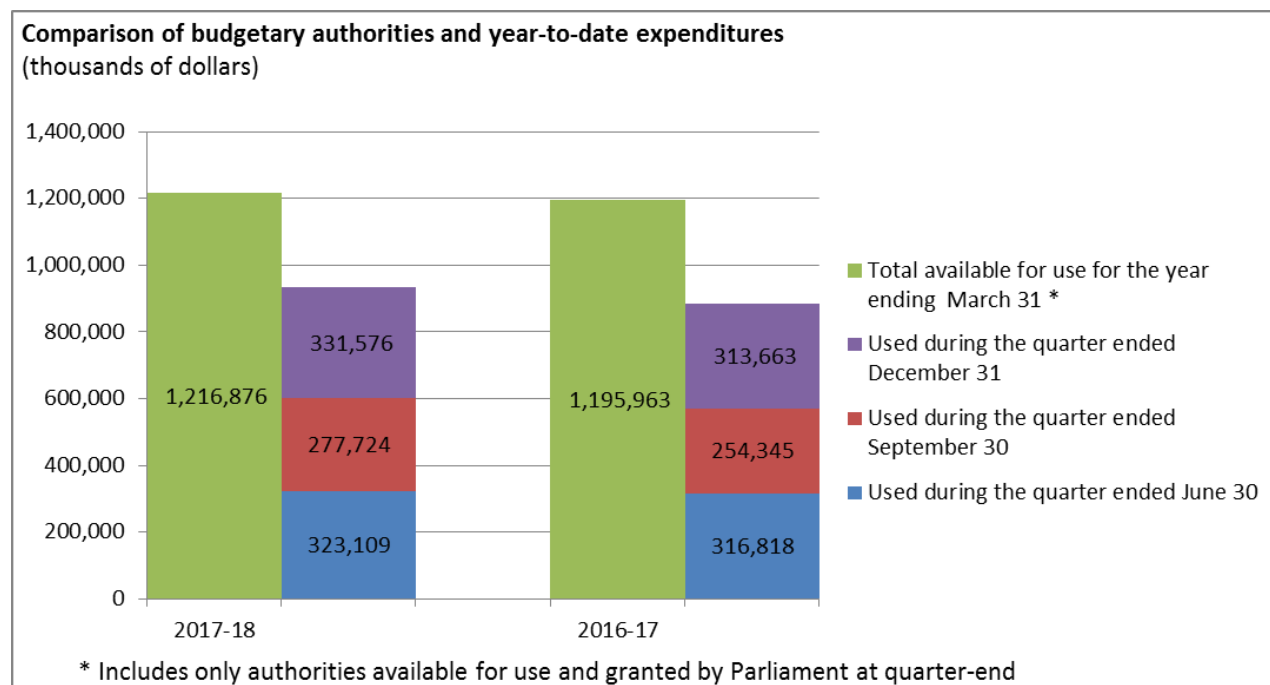
2. Highlights of fiscal quarter and fiscal year-to-date results

This QFR reflects the results of the current fiscal period in relation to the 2017-18 [Main Estimates](#), the [Supplementary Estimates \(A\)](#), the [Supplementary Estimates \(B\)](#) and the operating budget carry-forward.

Sections 2.1 and 2.2 below highlight the significant items that contributed to the net increase in resources available from fiscal 2016-17 to fiscal 2017-18 and the actual expenditures as at December 31, 2016, and December 31, 2017.

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



2.1 Significant changes to budgetary authorities

As of December 31, 2017, NSERC's total available authorities for 2017-18 amounted to \$1,216.9 million. This represents an overall increase of \$20.9 million (1.7%) from the comparative period of the previous year. Of the \$20.9 million, \$20.7 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$0.5 million to an increase in net operating expenditures (Vote 1) and \$0.3 million to a decrease in budgetary statutory authorities.

The \$20.9 million variation in NSERC's budgets between the current and previous fiscal years includes:

- an increase of \$34.5 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 \$4.4 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 the completion of the program;
- a decrease of \$2.7 million in the funding for the Centres of Excellence for Commercialization and Research program,;
- an increase of \$2.6 million, transferred from the Department of National Defence, to fund NSERC partnership programs;
- an increase of \$0.9 million, transferred from the National Research Council Canada to fund the Canadian Light Source Project; and

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- a net increase of \$0.2 million in the operating and statutory budgets, mainly related to reductions announced in Budget 2016 in professional services, travel and advertising.

2.2 Significant changes to authorities used

Year-to-date spending

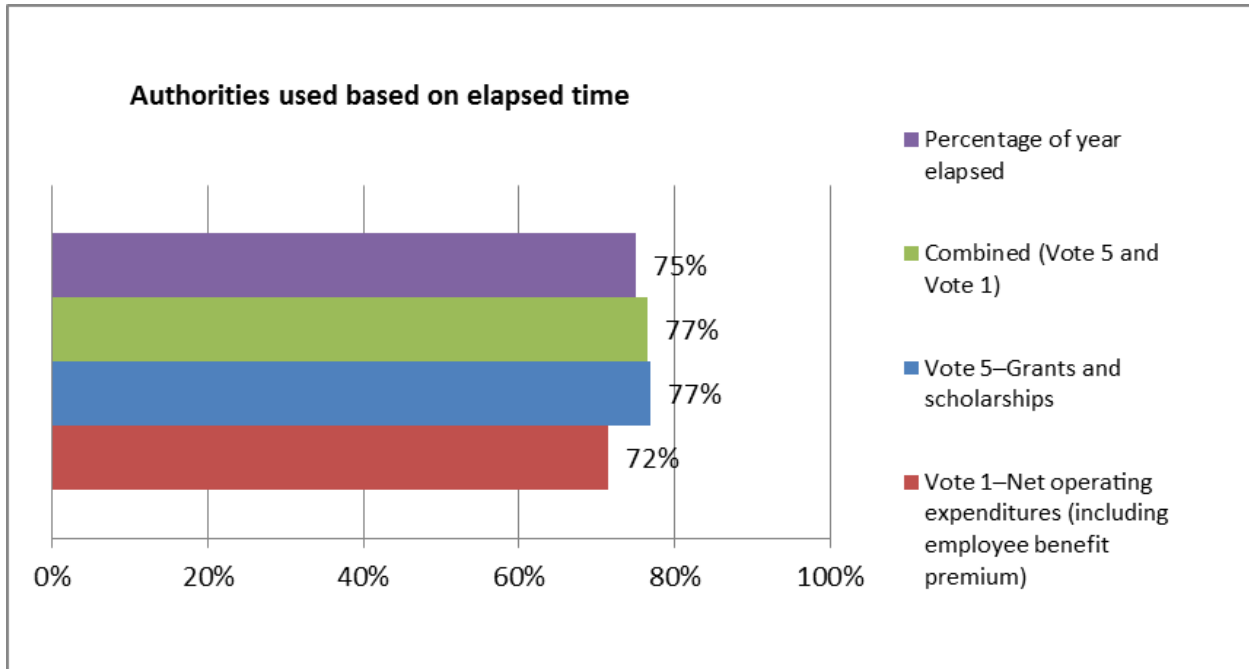
The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

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

(millions of dollars)

	2017-18	2016-17	Variance
Vote 1—Operating expenditures			
Personnel	32.5	28.6	3.9
Non-personnel	5.4	5.5	(0.1)
Vote 5—Grants and scholarships	894.5	850.8	43.7
Total budgetary expenditures	932.4	884.9	47.5

Total budgetary expenditures amounted to \$932.4 million at the end of the third quarter of fiscal 2017-18, compared to \$884.9 million reported in the same period in the previous fiscal year. The total authorities used at the end of the third quarter (\$932.4 million) represent 77% of total available authorities (\$1,216.9 million).



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Grants and scholarships

Transfer payments represent 95.6% of NSERC’s available authorities. Grant and scholarship payments vary between periods due to the competition cycles, results of peer reviewed programs and multi-year award profiles. During the first three quarters of fiscal 2017-18, NSERC’s grant and scholarship expenditures have increased by \$43.7 million, compared to what was reported in the same three quarters of the previous fiscal year. The differences in specific programs from year to year are as follows:

- Canada First Research Excellence Fund, an increase of \$52.7 million due to expanded program authorities and timing differences;
- Discovery Grants Program, an increase of \$15.1 million due to timing differences and expanded program authorities;
- Canada Excellence Research Chairs Program, a decrease of \$5.7 million due to the ending of the first award cycle; and
- a net decrease of \$18.4 million due to timing differences on payments.

Operating expenditures

The majority of operating costs are incurred in a consistent manner throughout the fiscal year; however, 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 have increased by \$3.9 million compared to the amount reported in the same period in the previous fiscal year. The increase is mainly due to the payment of retroactive salary and the economic increase resulting from the new Terms and Conditions of Employment approved during the third quarter of 2017-18.

Total non-personnel expenditures are in line with previous year expenditures.

Quarterly spending

The total authorities used during the third quarter of 2017-18 amounted to \$331.5 million (27% of the total available authorities; 27% of the total authorities for grant and scholarship programs; and 28% of the total authorities for operating expenditures and employee benefits).

Budgetary expenditures used during the third quarter

(millions of dollars)

	2017-18	2016-17	Variance
Vote 1—Operating expenditures			
Personnel	13.1	9.4	3.7
Non-personnel	1.8	1.9	(0.1)
Vote 5—Grants and scholarships	316.6	302.4	14.2
Total budgetary expenditures	331.5	313.7	17.8

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Grants and scholarships

During the third quarter of 2017-18, NSERC's grant and scholarship expenditures have increased by \$14.2 million compared to those reported in the same quarter of the previous fiscal year. The differences in specific programs from year to year are as follows:

- Canada First Research Excellence Fund, an increase of \$17.6 million due to expanded program authorities;
- Discovery Grants Program, an increase of \$5.8 million due to timing difference and expanded program authorities;
- Canada Excellence Research Chairs Program, a decrease of \$2.2 million due to the ending of the first award cycle;
- a net decrease in spending of \$7.0 million due to timing differences of payments for some programs, such as: Canada Research Chairs Program, Major Resources Support Program, Networks of Centres of Excellence program, College and Community Innovation Program, Postdoctoral Fellowships Program and Collaborative Research and Development Grants.

Operating expenditures

The personnel expenditures have increased by \$3.7 million compared to the same period in 2016-17. This increase is mainly due to the payment of retroactive salary and the economic increase resulting from the new Terms and Conditions of Employment approved during the third quarter of fiscal 2017-18.

The non-personnel expenditures are in line with the same period in the previous fiscal year.

3. Risks and uncertainties

Through the corporate risk identification exercise, NSERC annually identifies corporate level risks and develops response measures in order to minimize their likelihood and/or impact. Senior management closely follows the risks listed below to ensure they are continuously mitigated and that the residual risk level is acceptable.

1- 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.

Mitigation strategies include:

- NSERC and the Social Sciences and Humanities Research Council (SSHRC) working together to replace their respective aging and disparate grants management systems with a shared solution;
- developing an application portfolio management approach for decision-making and planning related to IM/IT legacy systems and business process impacts during the transition to Research Portal 2.0;
- developing a multi-year resource management approach that aligns business needs, budgets, human resources and technological support; and
- implementing the People Strategy Action Plan to ensure that the workforce is well prepared to adapt to change and to promote workplace wellness and mental health.

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2- 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).

Mitigation strategies include:

- NSERC working 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;
- building resiliency within the organization to respond to change through the organization's People Strategy Action Plan and Mental Health and Wellbeing Strategy and Action Plan; and
- work with other federal research funding agencies to develop common internal and external communications plans with shared tactics, such as cross-agency engagement sessions.

4. Significant changes related to operations, personnel and programs

In October 2017, Ministers Kirsty Duncan and Ginette Petitpas Taylor announced the creation of the Canada Research Coordinating Committee (CRCC). The committee was created to improve the coordination efforts of Canada's federal research funding agencies—SSHRC, NSERC, and the Canadian Institutes of Health Research—as well as the Canada Foundation for Innovation (CFI). The CRCC is mandated to achieve greater harmonization, integration and coordination of research-related programs and policies and to address issues of common concern to the agencies and the CFI.

NSERC continues to review, in collaboration with its stakeholders, key recommendations emerging from Canada's Fundamental Science Review.

Approved by:

Original signed by

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President, NSERC

Original signed by

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

Ottawa, Canada
February 28, 2018

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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 December 31, 2017	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2017*	Used during the quarter ended December 31, 2016	Year-to-date used at quarter-end
Vote 1—Net Operating Expenditure	48,153	13,754	34,281	47,698	10,007	30,191
Vote 5—Grants and Scholarships	1,163,341	316,625	894,537	1,142,572	302,358	850,767
Budgetary Statutory Authorities						
Contributions to the employee benefit plan	4,803	1,197	3,590	5,314	1,285	3,854
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	579	-	-	379	13	13
Total budgetary authorities	1,216,876	331,576	932,408	1,195,963	313,663	884,825

* 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)

	Fiscal year 2017-18			Fiscal year 2016-17		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended December 31, 2016	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	38,164	13,114	32,464	36,159	9,403	28,566
Transportation and communications	5,274	599	1,658	5,207	660	1,609
Information	1,748	232	823	1,368	118	486
Professional and special services	5,329	766	1,957	7,023	876	2,316
Rentals	1,565	81	617	1,810	117	741
Repair and maintenance	231	36	79	208	63	112
Utilities, materials and supplies	276	57	141	220	27	116
Acquisition of machinery and equipment	948	20	132	1,396	41	112
Other subsidies and payments	-	46	-	-	-	-
Transfer payments	1,163,341	316,625	894,537	1,142,572	302,358	850,767
Total budgetary expenditures	1,216,876	331,576	932,408	1,195,963	313,663	884,825