

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended June 30, 2020

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 2020–21 [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

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 2020–21. 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.

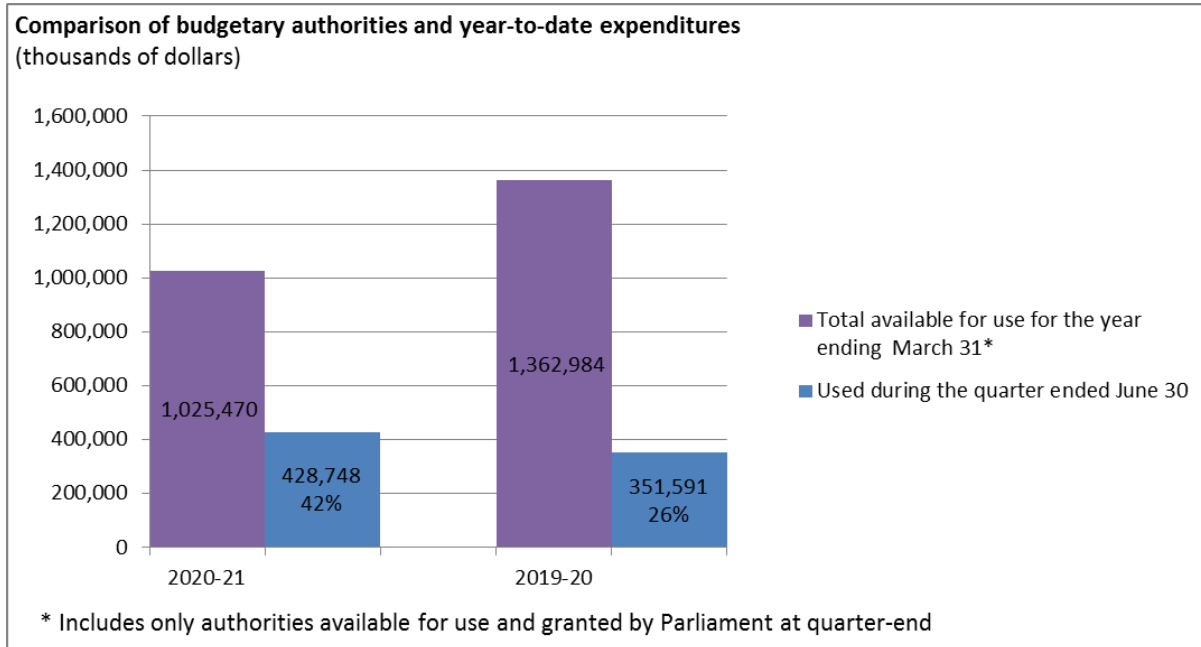
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date and quarterly expenditures compared with the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for fiscal 2020–21 and fiscal 2019–20.

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2.1 Significant changes to budgetary authorities

As of June 30, 2020, NSERC's total available authorities for fiscal 2020–21 amounted to \$1,025.5 million. This represents an overall decrease of \$337.5 million (-24.8%) from the comparative period of the previous year. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include:

- A decrease of \$339.8 million in the authorities available for use is due to the reduced supply of the Main Estimates. Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study supply, the Standing Orders of the House of Commons were amended to extend the study period into the fall. NSERC is expected to receive full supply for the 2020–21 Main Estimates in December 2020;
- an increase of \$11.8 million from Budget 2018 for fundamental research;
- an increase of \$8.4 million for the Canada Excellence Research Chairs competition;
- an increase of \$6.0 million from Budget 2019 for additional Canada Graduate Student awards;
- an increase of \$2.3 million from Budget 2019 for coverage of the expanded duration of paid parental leave;
- a net decrease of \$9.3 million from Budget 2018 for the Canada Research Chairs program (due to the realignment of CRC funds (\$16.2 million decrease), Budget 2018 (\$6.7million increase) and a previous year reprofile (\$0.2 million increase);
- a decrease of \$5.6 million for the Business-led Network Centres of Excellence program;
- a net decrease of \$4.1 million for the Colleges and Community Innovation program suite (due mainly to a \$4.5 million transfer to SSHRC);
- a decrease of \$3.7 million for the Networks of Centres of Excellence program; and
- a net decrease of \$3.5 million for various programs, including the PromoScience top-up (from Budget 2017), and various transfers to and from partnering departments.

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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)

	2020–21	2019–20	Variance
Vote 1—Operating expenditures			
Personnel	11.8	12.3	(0.5)
Non-personnel	1.6	2.1	(0.5)
Vote 5—Grants and scholarships	415.4	337.2	78.2
Total budgetary expenditures	428.8	351.6	77.2

Total budgetary expenditures amounted to \$428.8 million at the end of the first quarter of fiscal 2020–21, compared to \$351.6 million reported in the same period in the previous fiscal year.

Grants and scholarships:

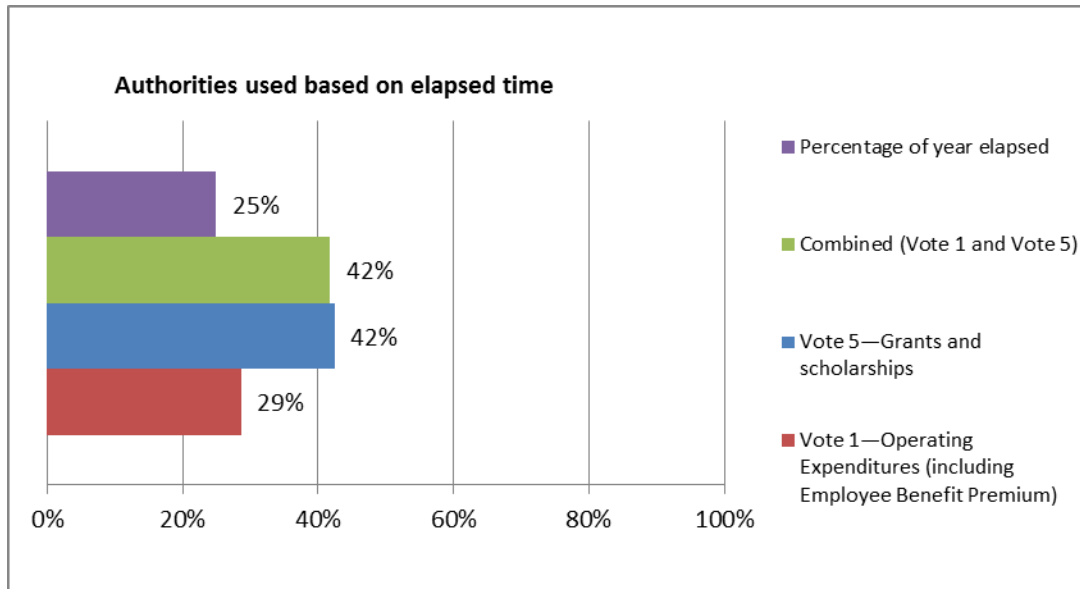
At the end of the first quarter of 2020–21, the grant and scholarship expenses increased by \$78.2 million, compared to what was reported in the same period of the previous fiscal year. The differences are mainly due to timing of payments caused by COVID-19, with the exception of \$14 million in spending for the new Alliance grants, which was launched in the fall of 2019.

Operating expenditures:

The personnel expenditures have decreased by \$0.5 million compared to the same period in 2019–20. This decrease is mainly due to the economic adjustment resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017–18 and paid during 2019–20.

Total non-personnel expenditures have decreased by \$0.5 million due to COVID-19 related circumstances significantly reducing spending on professional services and other operating and maintenance expenditures.

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The total authorities used during the first quarter (\$428.8 million) of fiscal 2020–21 represent 42% of total available authorities (\$1,025.5 million).

3. Risks and uncertainties

To continue delivering its programs in the most efficient and effective manner in 2020–21, NSERC needs to take into account a number of external influences, including the ongoing implementation of Budget 2018 and Budget 2019 investments, key actions emerging from the Canada Research Coordinating Committee (CRCC) priorities, the priorities of the new government elected in fall 2019 and the evolving impacts of the COVID-19 pandemic. As a small agency, NSERC may be challenged to reallocate the resources needed to effectively meet operational needs, stakeholder expectations, and respond to government priorities.

In light of COVID-19, NSERC is reassessing key commitments to reallocate resources to emerging pressures. As the situation evolves, the organization will continue to monitor key commitments and ongoing activities, to ensure that human and financial resources are available to deliver on high priority activities.

COVID-19 has added new pressures on NSERC operations, including delivery of new programs or management of existing programs and impacted the delivery of major corporate initiatives, such as the Tri-agency grants management solutions. Managing the move to a remote work environment for all staff has been a priority for the organization to ensure both the safety and security of employees as well as to maintain core business operations.

There is a risk that NSERC may not be able to ensure continuity of all business operations during the COVID-19 pandemic and subsequent recovery period. Also, there is pressure to deliver COVID-19 specific initiatives in competition with the delivery of core programs. To mitigate this risk NSERC will review the merit review process in the context of COVID-19 in order to prepare alternate solutions for holding adjudication meetings, should social distancing measures and travel limitations still be in effect for 2020–21 funding opportunities.

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Key risks will be monitored through reviews with management to reassess risk information and the effectiveness of the response strategies. The Corporate Planning and Reporting team will coordinate the monitoring exercises by working with each risk champion to ensure that information and risk analysis is provided to support decision making.

4. Significant changes related to operations, personnel and programs

NSERC, SSHRC and CIHR have provided direct support to scholarship and fellowship holders. For eligible students and postdoctoral researchers whose research scholarship or fellowship ends between March and August 2020, support will be extended for an additional four (4) months and fully funded. This represents an investment of up to \$40 million to help these students and postdoctoral researchers complete their research projects and training.

Training award recipients (master's, doctoral, and postdoctoral) may defer the start date of their award, or request an unpaid interruption of up to four-months for reasons related to the COVID-19 situation. For master's and doctoral award holders, this can be adjusted to align with the next available start date (May 1, 2020; September 1, 2020; or January 1, 2021).

The agencies will continue to support training award holders who, given the challenges posed by the COVID-19 situation, can only devote part-time hours to their research. They may continue to hold their awards and will be paid at the full amount. The amount will not be prorated, and the end date of the award will remain unchanged. For the period where travel is significantly limited due to the COVID-19 pandemic, training award recipients may choose to hold their award remotely while pursuing their research training.

To lessen the impact due to COVID-19 on students, trainees and research support personnel funded through research grants, NSERC is providing additional funding to eligible grant recipients. This represents an additional investment through NSERC of up to \$140 million by the Government of Canada to address income challenges related to delays in research created by the COVID-19 pandemic.

In response to the COVID-19 pandemic, NSERC is leveraging the expertise of researchers in natural science and engineering and their partners across Canada to address this unprecedented crisis. Through the NSERC Alliance COVID-19 grants, NSERC is providing up to \$15 million in total support to stimulate collaborations between university academic researchers and the public and not-for-profit sectors, and industry to address pandemic-related research and technical challenges. Through the Tri-agency Applied Research Rapid Response to COVID-19 grants, NSERC, in collaboration with SSHRC and CIHR, are providing a minimum of \$3 million in support for colleges and polytechnics, through the College and Community Innovation program to work with their partners to address this unprecedented crisis. This funding opportunity will further leverage the expertise and infrastructure in post-secondary institutions to rapidly mobilize support and expertise related to the COVID-19 outbreak. Support of up to \$75,000 for one-year projects is being made available on expedited timelines.

Given the ever-evolving circumstances caused by the COVID-19 pandemic, NSERC, SSHRC and CIHR recognize that grant recipients and/or research team members may continue to incur ongoing research costs, as well as incremental costs that would not normally be incurred (for example, compensation and travel) related to agency-funded research activities. The agencies would like to remain as flexible as possible to support grant recipients during this time and acknowledge that some of these costs may be eligible to be paid from agency grant funds. The agencies will therefore defer to administering institutions

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to determine if incremental costs are consistent with the principles and directives set out in the Tri-agency guide on financial administration.

The agencies also understand that not all planned research activities are possible as research institutions are closed requiring that the majority of people work remotely, if they are able to work at all. The agencies consider that continuing to pay any members of the research team, eligible to be paid from an agency grant, is an eligible expense in the context of COVID-19.

NSERC recognizes that agency-funded research activities may be delayed as a result of the COVID-19 pandemic. Academic institutions can immediately approve extension requests up to 12 months for agency grants with an end date between February 1, 2020 and March 31, 2021 inclusively. This provision applies to all grants, regardless of whether they have received a previous time extension of any length for any reason (including, where applicable, automatic extensions). The intent of this provision is to allow grantees to continue spending grant funds, and institutions to delay the processing of residual grant funds.

In order to guide the transformation and bring focus to its strategic orientation, NSERC is pleased to welcome Marc Gervais as the new Associate Vice-President, Strategy and Transformation. He will be reporting directly to the President, and will be responsible for leading the design and development of the strategic plan, in collaboration with the Vice-President, colleagues and others throughout NSERC. Marc has been leading the CRCC Secretariat, providing invaluable advice and counsel to tri-agency colleagues. His experience in the Office of the Minister of ISED and in his roles in Corporate and Government Affairs in various Government departments and agencies will bring some impressive strength to our senior team.

Approved by:

Original signed by:

Dr. Alejandro Adem
President

Original signed by:

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

Ottawa, Canada
August 28, 2020

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5. Statement of authorities (unaudited)

	Fiscal year 2020–21			Fiscal year 2019–20		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Operating expenditures	40,809	11,948	11,948	54,073	12,935	12,935
Vote 5—Grants and scholarships	978,729	415,362	415,362	1,302,727	337,161	337,161
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,753	1,438	1,438	6,005	1,495	1,495
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Total budgetary authorities	1,025,470	428,748	428,748	1,362,984	351,591	351,591

* 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 2020–21			Fiscal year 2019–20		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended June 30, 2019	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<u>Expenditures</u>						
Personnel	35,001	11,834	11,834	45,281	12,327	12,327
Transportation and communications	3,427	31	31	4,519	357	357
Information	1,106	54	54	1,997	128	128
Professional and special services	4,601	989	989	5,531	1,001	1,001
Rentals	833	399	399	1,303	447	447
Repair and maintenance	117	9	9	225	26	26
Utilities, materials and supplies	123	42	42	180	101	101
Acquisition of land, buildings and works	48	-	-	-	-	-
Acquisition of machinery and equipment	1,485	33	33	1,221	44	44
Other subsidies and payments	-	(5)	(5)	-	(1)	(1)
Transfer payments	978,729	415,362	415,362	1,302,727	337,161	337,161
Total budgetary expenditures	1,025,470	428,748	428,748	1,362,984	351,591	351,591