

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended September 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 post-secondary students and postdoctoral fellows in their advanced studies, 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 the fiscal year 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 money. 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.

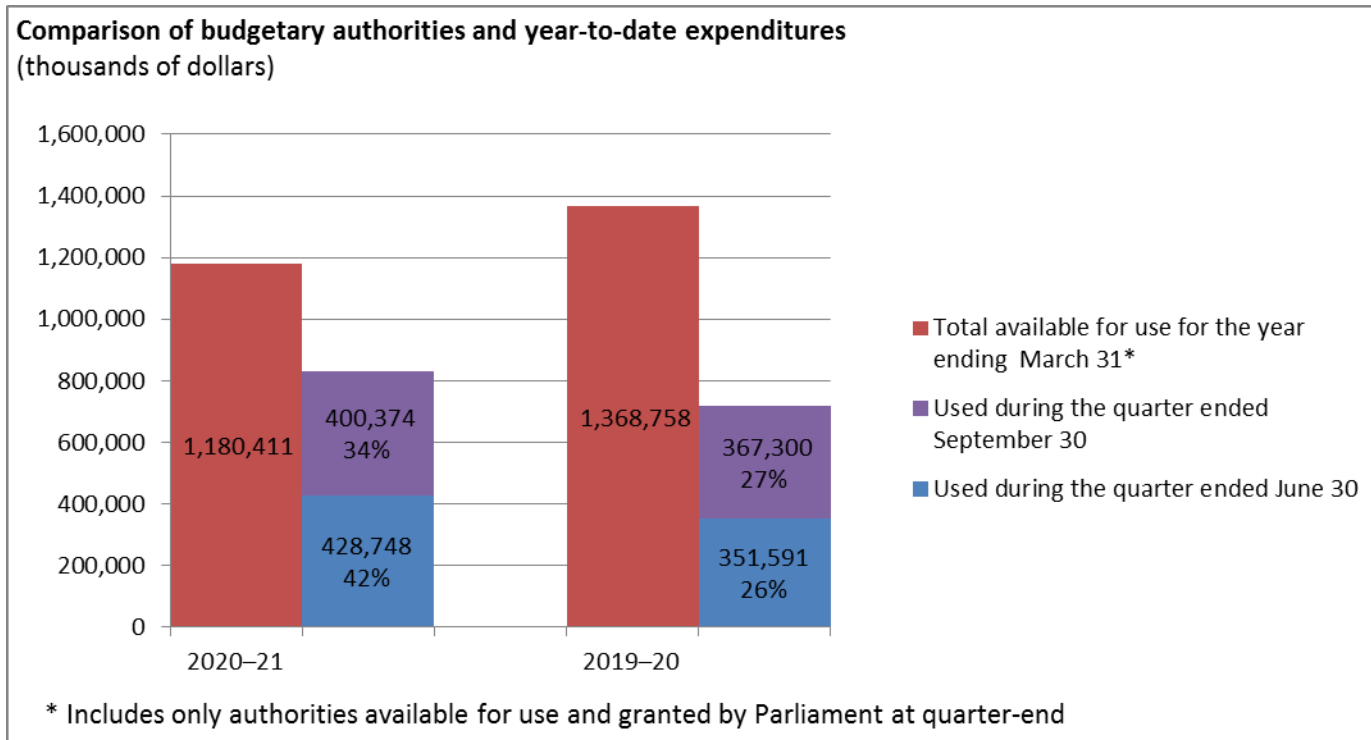
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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 the fiscal year 2020–21 and the fiscal year 2019–20.

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2.1 Significant changes to budgetary authorities

As of September 30, 2020, NSERC's total available authorities for the fiscal year 2020-21 amounted to \$1,180.4 million. This represents an overall decrease of \$188.3 million (-13.8%) from the comparative period in the previous year. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include

- a decrease of \$336.4 million in the authorities available for use 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 \$153.4 million from the Public Health Events of National Concern Payments Act (PHENCPA) to support students and youth affected by COVID-19 as well as research institutes and universities;
- an increase of \$11.8 million from Budget 2018 for fundamental research;
- a net decrease of \$9.3 million from Budget 2018 for the Canada Research Chairs program;
- 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;
- a decrease of \$5.6 million for the Business-led Networks of Centres of Excellence program;
- a net decrease of \$5.0 million for the Colleges and Community Innovation program suite (due mainly to a \$4.5 million transfer to SSHRC);
- a net decrease of \$3.2 million for various programs, including the PromoScience top-up (from Budget 2017), and various transfers to and from partnering departments; and

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- an increase of \$2.3 million from Budget 2019 for coverage of the expanded duration of paid parental leave.

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	23.8	24.1	(0.3)
Non-personnel	3.8	5.5	(1.7)
Vote 5—Grants and scholarships	801.6	689.3	112.3
Total budgetary expenditures	829.2	718.9	110.3

Total budgetary expenditures amounted to \$829.2 million at the end of the second quarter of the fiscal year 2020–21, compared to \$718.9 million reported in the same period in the previous fiscal year.

Grants and scholarships

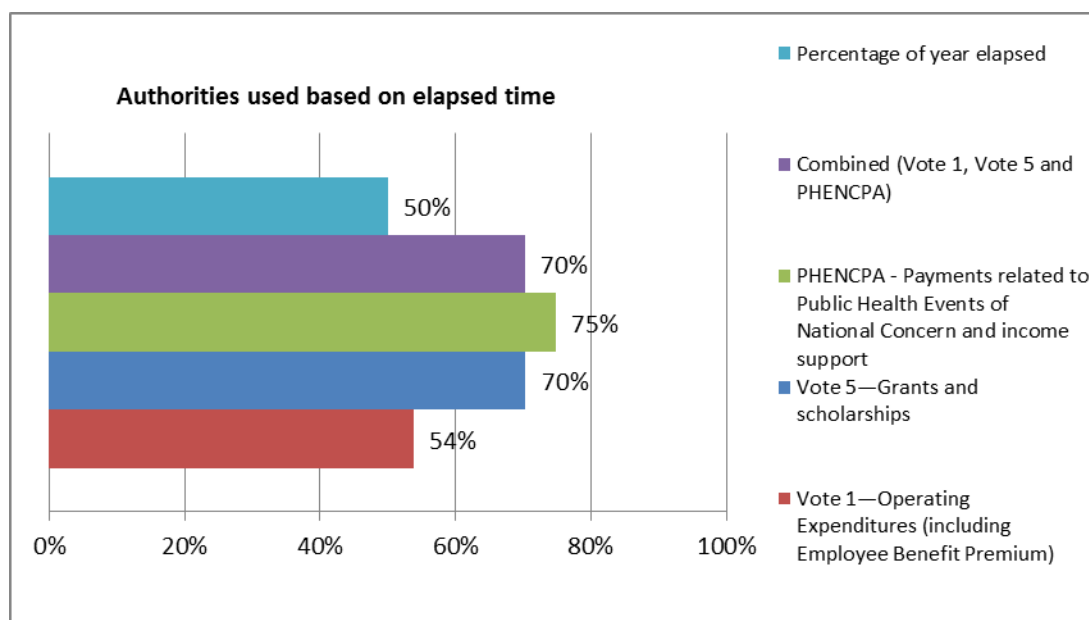
At the end of the second quarter of 2020–21, the grant and scholarship expenses increased by \$112.3 million, compared to those reported in the same period of the previous fiscal year. The increase is mainly due to spending of \$113.7 million received from the PHENCPA to support students and youth affected by COVID-19 as well as research institutes and universities.

Operating expenditures

The personnel expenditures have decreased by \$0.3 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 in the third quarter of 2017–18 and paid during 2019–20.

Total non-personnel expenditures have decreased by \$1.7 million, mainly in transportation costs and acquisition of equipment. Transportation costs have significantly decreased as a result of travel restrictions related to COVID-19, which have affected the amount of travel for both public servants and non-public servants. Acquisition of equipment has also decreased as a result of major capital investment undertaken by NSERC last fiscal year to upgrade its computer equipment.

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The total authorities used during the second quarter (\$400.3 million) of the fiscal year 2020–21 represent 34% of total available authorities (\$1,180.4 million).

Quarterly spending

The total authorities used during the second quarter of 2020–21 amounted to \$400.3 million (34% of the total available authorities; 28% of the total authorities for grant and scholarship programs; 26% of the total authorities for operating expenditures and employee benefits; and 75% of total authorities for the PHENCPA).

Budgetary expenditures used during the second quarter

(millions of dollars)

Vote 1—Operating expenditures

	2020–21	2019–20	Variance
Personnel	11.9	11.8	0.1
Non-personnel	2.2	3.4	(1.2)

Vote 5—Grants and scholarship

	386.2	352.1	34.1
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Total budgetary expenditures	400.3	367.3	33.0
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Grants and scholarships

Transfer payments represent 96% of NSERC's available authorities. Variances in transfer payments stem from the nature of program cycles. During the second quarter of 2020–21, NSERC's transfer payment expenditures increased by \$34.1 million compared to the same quarter of the previous fiscal year, as a result of the following:

- an increase of \$113.7 million due to payments related to the PHENCPA;
- a net decrease of \$73.4 million due to timing differences on payments; and
- a net decrease of \$6.2 million due to the sunsetting of the Networks of Centres of Excellence programs (decrease of \$0.6 million in the Business-led Networks of Centres of Excellence and decrease of \$5.6 million in the Centres of Excellence for Commercialization and Research).

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Operating expenditures

Personnel expenditures for the second quarter of fiscal year 2020–21 are in line with those in the previous year.

Non-personnel expenditures have decreased by \$1.2 million, mainly in transportation costs and acquisition of equipment. Transportation costs have significantly decreased as a result of travel restrictions related to COVID-19, which have affected the amount of travel for both public servants and non-public servants. Acquisition of equipment has also decreased as a result of major capital investment undertaken by NSERC last fiscal year to upgrade its computer equipment.

3. Risks and uncertainties

In light of COVID-19, NSERC is reassessing priorities in order to reallocate resources in response 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 has affected major corporate initiatives, such as the Tri-agency Grants Management Solution and GC Workplace. Managing the move to a remote work environment for all staff has been a priority for the organization, to ensure the safety and security of employees as well as to maintain core business operations.

NSERC made substantial progress in preparing and equipping employees for the organization's transition to GC Workplace at our new office location (anticipated for 2021). Specifically, NSERC rolled out mobile work tools (e.g., tablets, iPhones, remote access keys) and processes (e.g., Digital Authorization Directive). NSERC also engaged with Public Services and Procurement Canada to plan our future physical space, providing information gathered through employee consultation.

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. The work conditions, tools, and processes will be adjusted to ensure the continuity of operations, while considering the health and safety of our staff a top priority. There is also pressure to deliver initiatives for COVID-19 along with core programs. To mitigate this risk, NSERC will review the merit review process in the context of COVID-19 in order to prepare alternative solutions for holding adjudication meetings, should social distancing measures and travel limitations still be in effect for 2020–21 funding opportunities.

4. Significant changes related to operations, personnel and programs

Due to the impacts of the COVID-19 pandemic, CIHR, NSERC and SSHRC have postponed launching the Tri-Agency Research Data Management Policy until further notice. Once the policy is launched, the agencies will continue to collaborate with the research community to phase in the policy requirements.

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The current pandemic has illustrated the critical role of research data management in building a research system that reflects the FAIR principles — that data are findable, accessible, interoperable and reusable. Many researchers, research institutions, stakeholder organizations and other groups have worked diligently during the COVID-19 pandemic to support research data management. This includes data management planning, institutional support for research data management, and data deposit and access.

To solidify and bolster NSERC's strategic orientation, two new Associate Vice-President (AVP) positions were created. Anne-Marie Thompson will become AVP for Research, Grants and Scholarships, and Manal Bahubeshi will be joining NSERC from Innovation, Science and Economic Development to become AVP for Research Partnerships. They will report to Danika Goosney and Marc Fortin, respectively. These two positions will provide crucial support for day-to-day operations within Research Grants and Scholarships and Research Partnerships and allow for enhanced strategic planning, development and implementation. Our new AVPs will play a key role in all aspects of delivering and improving NSERC programs. They will also contribute to policies, processes and systems for program funding and advance our strategic priorities in research and talent development. They will actively engage with our stakeholders as well as other organizations in the ecosystem.

The Tri-agency Grants Management Solution has a new Director General, Norman Marcotte. He is moving to this role from his current position as Director of Science Promotion and Operations at NSERC.

The agencies also recognize the vital role that highly qualified personnel play in the research enterprise and the need to sustain the talent pipeline during the COVID-19 pandemic. To lessen the impact of COVID-19 on students, trainees and research support personnel funded through research grants, the agencies are providing additional funding to eligible grant, scholarship and fellowship recipients.

Approved by:

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President

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

Ottawa, Canada
November 27, 2020

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5. Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2020–21			Fiscal year 2019–20		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended September 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 September 30, 2019	Year-to-date used at quarter-end
Vote 1—Operating expenditures	43,222	11,736	23,683	55,847	13,695	26,629
Vote 5—Grants and scholarships	977,856	272,552	687,915	1,306,727	352,110	689,271
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,754	1,228	2,667	6,005	1,495	2,991
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Payments related to Public Health Events of National Concern and income support	153,400	114,858	114,858	-	-	-
Total budgetary authorities	1,180,411	400,374	829,123	1,368,758	367,300	718,891

* 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 September 30, 2020	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	37,110	11,939	23,772	46,129	11,785	24,112
Transportation and communications	3,427	104	135	4,795	607	965
Information	1,106	202	257	2,121	165	293
Professional and special services	6,105	1,740	2,729	5,875	1,605	2,605
Rentals	834	129	529	1,384	243	690
Repair and maintenance	117	13	22	239	49	76
Utilities, materials and supplies	123	(26)	10	192	(14)	85
Acquisition of land, buildings and works	48	-	-	-	-	-
Acquisition of machinery and equipment	1,485	63	96	1,296	750	794
Transfer payments	1,130,056	386,210	801,573	1,306,727	352,110	689,271
Total budgetary expenditures	1,180,411	400,374	829,123	1,368,758	367,300	718,891