

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2022

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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 [2022–23 Main Estimates](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). 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, Supplementary Estimates (A) and Supplementary Estimates (B) for the fiscal year 2022–23. 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.

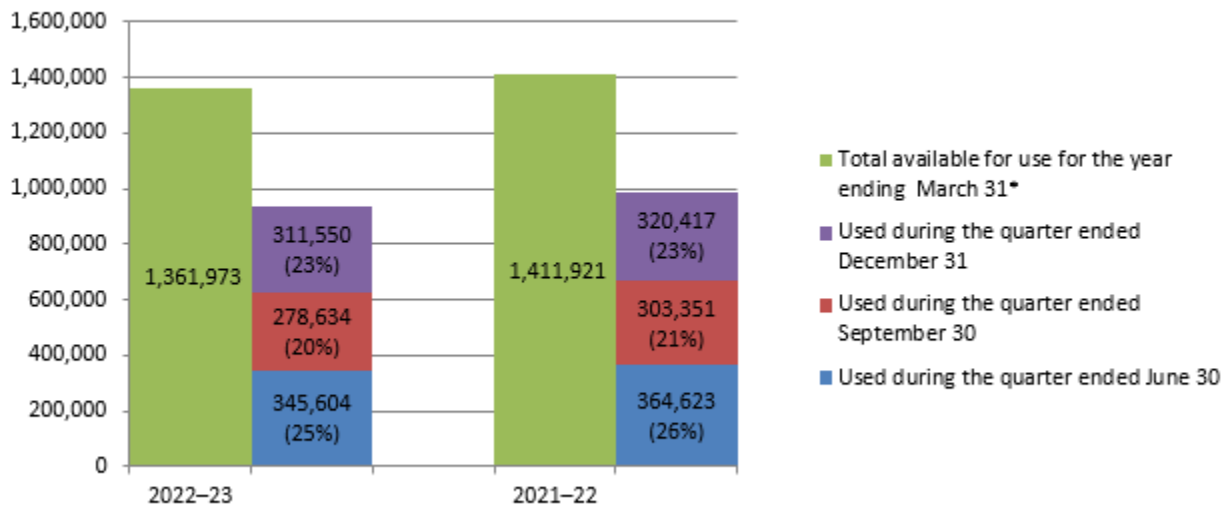
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2. Highlights of fiscal quarter and fiscal year-to-date results

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 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 2022–23 and the fiscal year 2021–22.

**Comparison of budgetary authorities and year-to-date expenditures
(thousands of dollars)**



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

2.1 Significant changes to budgetary authorities

As of December 31, 2022, NSERC’s total available authorities for the fiscal year 2022–23 amounted to \$1.362 billion. This represents an overall decrease of \$49.9 million (3.5%) 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 \$28.6 million from the 2015–16 Canada First Research Excellence Fund competition, for which funding renewal will be sought
- a decrease of \$18.7 million from Budget 2018 for the Networks of Centres of Excellence and Business-Led Networks of Centres of Excellence
- a decrease of \$6.8 million as a result of additional funding received in Q3 2021–22 to pay for retroactive salary increases following the implementation of the new terms and conditions of employment (September 2021)

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- an increase of \$5.8 million for grants and scholarships for fundamental research, as announced in Budget 2018
- an increase of \$4.2 million from delays in government transfers through the supplementary estimates in 2021–22 compared to 2022–23 due to the fall 2021 election
- a decrease of \$2.9 million from Budget 2018 for Centres of Excellence for Commercialization and Research
- a decrease of \$1.7 million for the Canada Excellence Research Chairs program in accordance with the program's design and delivery schedule as renewed in Budget 2019, and a further decrease of \$1.4 million for a reprofile to 2026–27
- a decrease of \$1.5 million for the adjusted distribution of the Canada Graduate Scholarships between the three granting agencies
- an increase of \$1.4 million from Budget 2022 for Black student researchers and postdoctoral fellows
- a decrease of \$0.8 million relating to the difference in the Operating Budget Carry Forward, where NSERC received \$2.7 million in fiscal year 2021–22 as opposed to the \$1.9 million received in fiscal year 2022–23
- an increase of \$0.6 million from Budget 2022 to support research security

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)	2022–23	2021–22	Variance
Vote 1—Operating expenditures			
Personnel (includes contributions to EBPs)	40.7	44.2	(3.5)
Non-personnel	5.9	7.2	(1.3)
Vote 5—Grants and scholarships	889.2	936.9	(47.7)
Total budgetary expenditures	935.8	988.3	(52.5)

Total budgetary expenditures amounted to \$935.8 million at the end of the third quarter of the fiscal year 2022–23, compared to \$988.3 million reported in the same period in the previous fiscal year.

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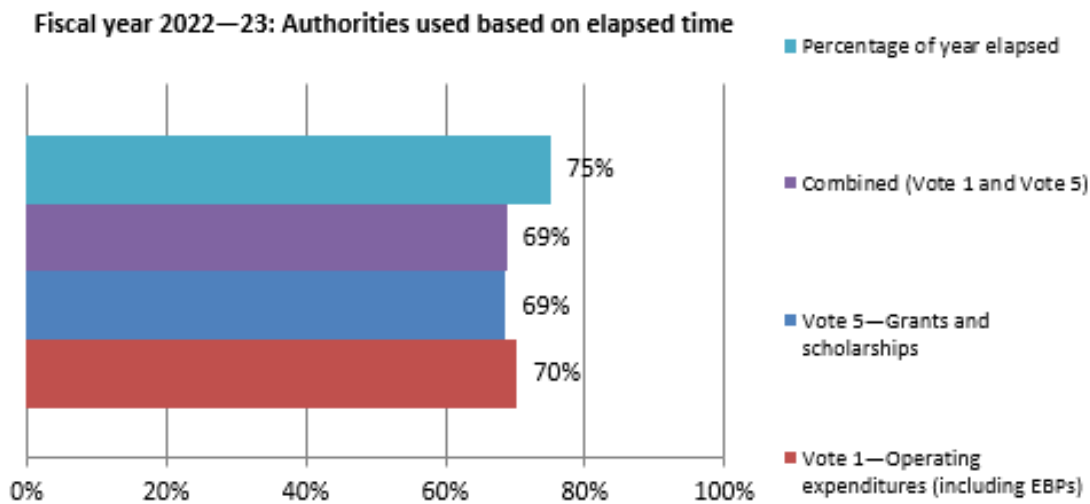
Grants and scholarships

At the end of the third quarter of 2022–23, the grants and scholarship expenses decreased by \$47.7 million, compared to those reported in the same period of the previous fiscal year. The decrease in spending corresponds in part to the decreases in budgetary authorities for the Canada First Research Excellence Fund, the Networks of Centres of Excellence program, the Centres of Excellence for Commercialization and Research program, and the Business-Led Networks of Centres of Excellence program, and in part to the timing of other award payments.

Operating expenditures

Personnel expenditures (including contributions to employee benefit plans [EBPs]) have decreased by \$3.5 million compared to the same period of the previous year. The decrease is mainly due to the implementation of the new terms and conditions of employment (September 2021) and the related clauses relative to salary increases and retroactive payments in the previous year.

Total non-personnel expenditures as of the third quarter of fiscal year 2022–23 have decreased by \$1.3 million compared to the same period of the previous year. There was a decrease in the acquisition of machinery and equipment expenditures related to the Workplace Renewal project launched during 2020–21 in partnership with the Social Sciences and Humanities Research Council (SSHRC). Professional and special services expenditures decreased due to lower usage of management consulting services, and rentals expenditures decreased due to a decrease in software license subscriptions to support the organization in operating remotely. This was partially offset by an increase in transportation and telecommunications expenditures due to the removal of pandemic restrictions, which allowed for increased travel and in-person activities, as well as an increase in information expenditures related to data and publication services. Please see the Departmental budgetary expenditures by standard object table in section 6 for additional details.



The total authorities used at the end of the third quarter (\$935.8 million) of the fiscal year 2022–23 represent 69% of total available authorities (\$1.362 billion).

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Quarterly spending

The total authorities used during the third quarter of 2022–23 amounted to \$311.5 million, which represents 23% of the total available authorities, 23% of the total authorities for grant and scholarship programs, and 23% of the total authorities for operating expenditures and employee benefits.

Budgetary expenditures used during the third quarter (millions of dollars)	2022–23	2021–22	Variance
Vote 1—Operating expenditures			
Personnel (includes contributions to EBPs)	13.0	13.7	(0.7)
Non-personnel	2.4	3.3	(0.9)
Vote 5—Grants and scholarship	296.1	303.4	(7.3)
Total budgetary expenditures	311.5	320.4	(8.9)

Grants and scholarships

Transfer payments represent 95% of NSERC’s available authorities. Variances in transfer payments stem from the nature of program cycles and fluctuations in budgetary authorities. During the third quarter of 2022–23, NSERC’s transfer payment expenditures decreased by \$7.3 million compared to the same quarter of the previous fiscal year. The decrease is mainly due to timing differences for payments.

Operating expenditures

Personnel expenditures (including contributions to EBPs) for the third quarter of fiscal year 2022–23 have decreased by \$0.7 million compared to the same quarter of the previous year. This is mainly due to the implementation of the new terms and conditions of employment in September 2021 and related clauses relative to salary increases and retroactive payments, which were paid in Q3 of the previous fiscal year.

Total non-personnel expenditures for the third quarter of fiscal year 2022–23 have decreased by \$0.9 million compared to the same quarter of the previous year, with some variances attributed to the acquisition of machinery and equipment, rentals, transportation and telecommunications, information, and use of professional services, as previously explained under the Year-to-date spending section of this report. Please see the Departmental budgetary expenditures by standard object table in section 6 for additional details.

3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile that includes key risks along with risk levels and mitigation activities. NSERC has linked corporate risk management with its integrated planning process to ensure greater cohesion and executive oversight in the delivery of its mandate.

The 2022–23 risk assessment exercise provided the level of insight required to properly respond to risk, through the allocation of resources, both human and financial, and through the prioritization of activities. Senior management closely monitors the following three key risks for 2022–23:

- i. **IT modernization:** The risk that NSERC’s aging information technology and support services will negatively impact operations and ability to deliver on core mandate.

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- ii. **Business disruption:** The risk that unforeseen events, such as pandemics, cyber-security attacks and/or social unrest could adversely impact NSERC's ability to continue its day-to-day operations.
- iii. **Change management:** The risk that NSERC will not be able to effectively manage change in a rapidly evolving and demanding environment.

4. Significant changes related to operations, personnel and programs

In the spring of 2021, the three federal research funding agencies—the Natural Sciences and Engineering Research Council (NSERC), the Canadian Institutes of Health Research (CIHR), and the Social Sciences and Humanities Research Council (SSHRC)—launched the [Tri-agency Interdisciplinary Peer Review Committee](#) as a one-year pilot. This was an effort to build on the agencies' world-class peer review processes and commitment to support interdisciplinary research, by bringing together researchers with expertise from across the social sciences, humanities, natural sciences, engineering and health sciences fields to review proposals for interdisciplinary and investigator-initiated research projects. After a successful inaugural year, the agencies [announced](#) that the pilot committee will be extended for a second year.

On October 6, 2022, the Honorable François-Philippe Champagne, Minister of Innovation, Science and Industry, and the Honorable Jean-Yves Duclos, Minister of Health, launched the [Advisory Panel on the Federal Research Support System](#). Benefiting from the insights of leaders in the science, research and innovation ecosystem, the panel will provide independent, expert policy advice on the structure, governance and management of the federal system supporting research and talent. This will ensure that Canadian researchers are positioned for even more success, both now and in the future. The panel will focus on the relationships between the three federal research funding agencies, and on their relationship with the Canada Foundation for Innovation.

On November 28, 2022, Manal Bahubeshi was appointed as NSERC's Vice-President, Research Partnerships (RP) following a competitive staffing process. Manal has been the acting Vice-President, RP, since August 2022. Over these past three months, she has drawn on her breadth of experience in science policy within the federal public service to skillfully lead a talented executive team responsible for the operations and delivery of RP's programming for colleges and universities. Since joining NSERC in the fall of 2020, Manal has guided the expansion of many strategic partnerships and has played an important role in implementing the National Security Guidelines for Research Partnerships and in NSERC's support of the National Quantum Strategy.

In November 2022, NSERC started occupying its new headquarters in the Zibi development. Zibi is one of Canada's most sustainable communities, and it is situated on the traditional unceded territory of the Algonquin Anishinaabeg People, overlooking the Ottawa River. The move to this new location is an opportunity to transition NSERC to the latest Government of Canada workplace standards, to modernize its policies and processes for employees, and to invest in technologies that enable flexible work arrangements and a healthier work-life balance.

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Approved by:

**Prof. Alejandro Adem, FRSC
President**

**Dominique Osterrath
Vice-President and
Chief Financial Officer**

**Ottawa, Canada
March 1, 2023**

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5. Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2022–23			Fiscal year 2021–22		
	Total available for use for the year ending March 31, 2023*	Used during the quarter ended December 31, 2022	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2022*	Used during the quarter ended December 31, 2021	Year-to-date used at quarter-end
Vote 1—Operating expenditures	60,087	13,890	41,989	65,075	15,582	47,225
Vote 5—Grants and scholarships	1,295,404	296,121	889,183	1,340,790	303,416	936,907
Budgetary statutory authorities						
Contributions to the employee benefit plans	6,279	1,539	4,616	5,877	1,419	4,258
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	203	-	-	179	-	-
Total budgetary authorities	1,361,973	311,550	935,788	1,411,921	320,417	988,390

* 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 2022–23			Fiscal year 2021–22		
	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended December 31, 2022	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended December 31, 2021	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	48,924	13,028	40,676	51,947	13,740	44,249
Transportation and communications	632	164	366	1,157	96	274
Information	4,607	343	674	1,012	228	622
Professional and special services	9,952	1,416	3,362	8,761	1,383	3,784
Rentals	1,276	262	841	723	530	1,120
Repair and maintenance	114	3	69	145	6	102
Utilities, materials and supplies	82	39	92	145	29	61
Acquisition of machinery and equipment	982	174	525	7,241	989	1,271
Transfer payments	1,295,404	296,121	889,183	1,340,790	303,416	936,907
Total budgetary expenditures	1,361,973	311,550	935,788	1,411,921	320,417	988,390