



National Research Council Canada

Statement outlining results, risks and significant changes in operations, personnel and programs

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1. Introduction

The Government of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference. These financial statements have been prepared to respond to these requirements. This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the [Main Estimates](#) and [Supplementary Estimates \(A\)](#). The QFR should be read in conjunction with the Main Estimates, Supplementary Estimates (A) as well as Canada's Economic Action Plan ([Budget 2012](#), [Budget 2013](#), [Budget 2014](#), [Budget 2015](#), [Budget 2016](#) and [Budget 2017](#)). They have been prepared by management as required by section 65.1 of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#) and in the form and manner prescribed by the Treasury Board of Canada Secretariat. Although these statements have not been subject to an external audit or review, the National Research Council Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ended June 30, 2017.

1.1 NRC Mandate

The NRC exists under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#) and is a Departmental corporation named in Schedule II of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#). The mission of the NRC is to work with clients and partners to provide innovation support, strategic research, and scientific and technical services to develop and deploy solutions to meet Canada's current and future industrial and societal needs.

Under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#), the NRC is responsible for:

- Undertaking, assisting or promoting scientific and industrial research in fields of importance to Canada;
- Providing vital scientific and technological services to the research and industrial communities;
- Investigating standards and methods of measurement;
- Working on the standardization and certification of scientific and technical apparatus, instruments and materials used or usable by Canadian industry;
- Operating and administering any astronomical observatories established or maintained by the Government of Canada;
- Establishing, operating and maintaining a national science library; and
- Publishing and selling or otherwise distributing such scientific and technical information as the Council deems necessary.

Further details on the NRC's legislative framework, authority, mandate and program activities can be found in Part II of the Main Estimates and the [Departmental Plan](#).



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 the NRC's spending authorities granted by Parliament and those used by the NRC consistent with the Main Estimates and Supplementary Estimates (A) for 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 for spending authorities.

The authority of Parliament is required before moneys 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 authority for specific purposes (pursuant to paragraph 5(1)(e) of the *National Research Council Act (R.S.C., 1985, c. N-15)*, the NRC has authority to expend revenues it has received through the conduct of its operations).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act (R.S.C., 1985, c. F-11)* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government of Canada to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The NRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements which 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 (YTD) results**

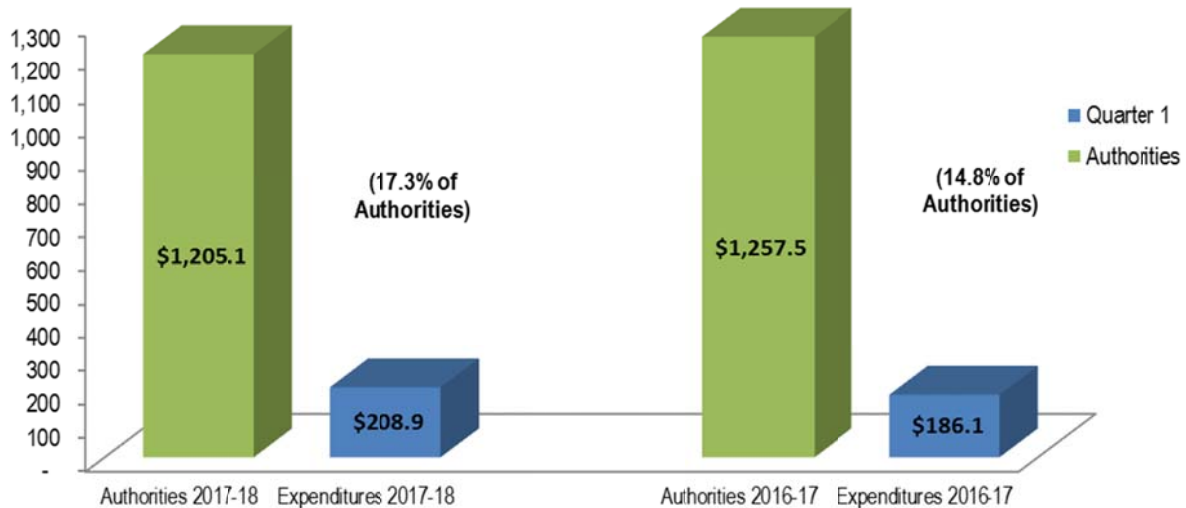
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on June 30, 2017 compared with the [previous fiscal year](#). This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object found on the last 2 pages of this report.

2.1 Authorities and Expenditures

The following graph provides a comparison of the budgetary authorities and expenditures as of June 30, 2017 and those as of June 30, 2016.



Comparison of Budgetary Authorities and Expenditures
as of June 30, 2017 and June 30, 2016
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$208.9M during the first quarter of 2017-18 which represents an increase of \$22.8M over the first quarter of 2016-17. Higher expenditures are mainly attributable to the increase of \$27.3M in Grants and Contributions, offset by decreases of \$2.4M in Statutory Employee Benefit Plan, \$1.2M in capital expenditures as well as a combined decrease of \$0.9M in operating and statutory revenue expenditures. Refer to 2.3 Significant Changes to Budgetary Expenditures for additional details.

2.2 Significant Changes to Authorities

As of June 30, 2017, the authorities were \$1,205.1M, representing a decrease of \$52.4 (4.2%) in comparison to the 2016-17 authorities of the same period. The following table summarizes the significant changes to NRC authorities:



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Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2018 - As of June 30, 2017

(in millions of dollars)

	Vote 1 Operating	Vote 5 Capital	Vote 10 Grants & Contributions	Statutory Revenues	Contributions to EBP	Total
Authorities – Total available for use for the year ending March 31, 2017 - As of June 30, 2016						1,257.5
Support R&D by small and medium sized firms (IRAP) (Budget 2016)			(50.0)			(50.0)
2014 Federal Infrastructure Initiative		(31.1)				(31.1)
Statutory Revenue Carry Forward adjustment				(16.7)		(16.7)
Statutory Revenue adjustment				(7.0)		(7.0)
Thirty Meter Telescope Observatory		(1.2)	32.8			31.6
Youth Employment Strategy (Budget 2017)			10.0			10.0
2016 Federal Infrastructure Initiative (Budget 2016)		9.9				9.9
Reinvestment for Sale of Real Property		2.2				2.2
Other	0.1		0.9		(2.3)	(1.3)
Total increase (decrease) in authorities in comparison to prior year	0.1	(20.2)	(6.3)	(23.7)	(2.3)	(52.4)
Authorities – Total available for use for the year ending March 31, 2018 - As of June 30, 2017						1,205.1

The decrease of \$52.4M in authorities is explained by the following items:

- A decrease of \$50.0M to support research and development by small and medium sized firms as announced in Budget 2016 which was not renewed in Budget 2017;
- A decrease of \$31.1M for the 2014 Federal Infrastructure Initiative when compared to previous year due to the funding profile of the Initiative (decrease of \$39.0M) and net reprofile request increase of 2016-17 funding to 2017-18 of \$7.9M;
- A decrease of \$16.7M in statutory revenue carry-forward for use in subsequent years following the close of fiscal year 2016-17;
- A decrease of \$7.0M resulting from the reduction of NRC's revenue forecast for 2017-18;

Offset by

- An increase of \$31.7M for the Thirty Meter Telescope Observatory, mainly due to the reprofile request of 2016-17 funding (\$46.6M) to 2017-18 when compared to previous year reprofile request (\$15.0M);
- An increase of \$10.0M for the Youth Employment Strategy - Green Jobs Initiative as announced in Budget 2017;
- An increase of \$9.9M for the 2016 Federal Infrastructure Initiative due to the funding profile of the Initiative;
- An increase of \$2.2M in capital funding resulting from the sale of real property, and
- A net decrease of \$1.3M for various items.



2.3 Significant Changes to Budgetary Expenditures

This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object both located at the end of this report.

2.3.1 Variances in Year-to-date Expenditures

As of June 30, 2017, year-to-date expenditures were \$208.9M, representing an increase of \$22.8M (12.3%) in comparison to the 2016-17 expenditures of the same period. This increase is mostly attributable to the following items:

- Transfer payments consisting of Grants & Contributions (G&C) expenditures increased by \$27.3M compared with the same period in the previous year. This change is principally attributable to a timing difference of contribution payments to [TRIUMF](#) of \$13.5M, an increase of \$9.5M in contributions to Firms, as well as an increase of \$2.6M in contributions to the International Astronomical Observatories.
- Statutory Employee Benefit Plan (EBP) expenditures decreased by \$2.4M compared with the same period in the previous year. This change is principally attributable to a reduction of the 2017-18 Main Estimates value, which excluded EBP associated to additional funding.
- Capital expenditures decreased by \$1.2M. The decrease is mainly attributable to a reduction of acquisition of machinery and equipment (special industry machinery, computer equipment as well as research equipment).
- Combined operating expenditures and statutory revenue expenditure decreased by \$0.9M compared with the same period of the previous fiscal year. This change is mainly attributable to decreases of \$2.4M in professional and special services, \$1.4M in purchased repair and maintenance as well as \$1.2M in acquisition of machinery and equipment, offset by increases of \$3.3M in personnel and \$0.4M in utilities, materials and supplies.



3. Risks and Uncertainties

NRC Dialogue¹ consultations were completed, and findings and proposals to better NRC were socialized with staff and managers in Q1. A corporate risk to be managed this fiscal year will be staff engagement and expectations on organizational changes in response to the Dialogue. In Q2, NRC management responses to the Dialogue will be communicated to staff, as well as early actions that are being planned. Contingency plans will also be developed on how to move forward on Dialogue actions in the event that the full amount of incremental funding asked for is not forthcoming in Budget 2018.

Two other key risks being managed in Q1 relate to: the agility, reliability and sustainability of NRC's research IT infrastructure; and management of NRC's aging scientific infrastructure and real property. To manage the IT risk, NRC has allocated \$20.0M over 3 years to ensure this is achieved in a timely fashion, and is working on a research infrastructure proposal in collaboration with Shared Services Canada to ensure timely and flexible access to a variety of research platforms. To manage the other key risk, NRC is launching a review of NRC facilities to develop an effective lifecycle management approach in support of NRC priorities and capability requirements.

4. Significant changes in relation to operations, personnel and programs

NRC launched a new Environmental Policy in Q1 to support effective environmental stewardship of the organization's R&D activities, facilities and real property, as well as promote and advance innovation and research in clean technologies. The policy will serve to guide day-to-day activities, support ongoing regulatory compliance and foster good corporate citizenship.

¹ NRC Dialogue: In support of the continued renewal of the NRC and to advance Canada's Innovation and Skills Plan, NRC's President was mandated in August 2016 to assess the current state of NRC. This assessment was carried out through engagement with NRC employees covering four areas: innovation support, engagement, governance and management.



National Research
Council Canada

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Approved by Senior Officials

Approved by:

Iain Stewart
President

Dale MacMillan
Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
August 24, 2017



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Statement of Authorities (unaudited)

For the quarter ended June 30, 2017

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Total available for use for	Used during the quarter	Year to date used at
	the year ending March 31, 2018*	ended June 30, 2017	quarter-end
Vote 1 - Operating expenditures	401,517	71,882	71,882
Vote 5 - Capital expenditures	92,640	4,220	4,220
Vote 10 - Grants and contributions	363,336	77,966	77,966
Statutory revenue **	300,883	44,937	44,937
Statutory EBP	46,707	9,872	9,872
Total Budgetary authorities	1,205,083	208,877	208,877

	Fiscal Year 2016-2017 (in thousands of dollars)		
	Total available for use for	Used during the	Year to date used at
	the year ending March 31, 2017 *	quarter ended June 30, 2016	quarter-end
Vote 1 - Operating expenditures	401,656	71,647	71,647
Vote 5 - Capital expenditures	112,109	5,417	5,417
Vote 10 - Grants and contributions	369,875	50,697	50,697
Statutory revenue **	324,566	46,025	46,025
Statutory EBP	49,302	12,323	12,323
Total Budgetary authorities	1,257,508	186,109	186,109

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

** Includes Statutory Revenue available for use in future years pursuant to paragraph 5(1)(e) of the National Research Council Act (R.S.C., 1985, c. N-15).



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Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2017

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Expenditures:			
Personnel	461,397	99,035	99,035
Transportation and communications	24,971	2,794	2,794
Information	2,747	364	364
Professional and special services	74,863	7,452	7,452
Rentals	12,198	2,471	2,471
Purchased repair and maintenance	39,073	2,323	2,323
Utilities, materials and supplies	67,213	5,187	5,187
Acquisition of land, buildings and works	57,117	3,979	3,979
Acquisition of machinery and equipment	82,750	4,930	4,930
Transfer payments	363,336	77,966	77,966
Other subsidies and payments	19,418	2,376	2,376
Total net budgetary expenditures	1,205,083	208,877	208,877
	Fiscal Year 2016-2017 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end
Expenditures:			
Personnel	465,507	98,142	98,142
Transportation and communications	23,846	2,957	2,957
Information	2,730	330	330
Professional and special services	79,209	9,805	9,805
Rentals	9,704	2,106	2,106
Purchased repair and maintenance	31,442	4,167	4,167
Utilities, materials and supplies	64,656	4,829	4,829
Acquisition of land, buildings and works	101,980	3,323	3,323
Acquisition of machinery and equipment	85,958	7,476	7,476
Transfer payments	369,875	50,697	50,697
Other subsidies and payments	22,601	2,277	2,277
Total net budgetary expenditures	1,257,508	186,109	186,109