



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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, the Federal Budget ([Budget 2016](#), [Budget 2017](#), [Budget 2018](#) and [Budget 2019](#)) as well as [Canada's COVID-19 Economic Response Plan](#). 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 of Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ended September 30, 2020.

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 have an impact by advancing knowledge, applying leading-edge technologies, and working with other innovators to find creative, relevant and sustainable solutions to Canada's current and future economic, social and environmental challenges.

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
- 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 for 2020-21, 2020-21 Supplementary Estimates (A) and Canada's COVID-19 Economic Response Plan. 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

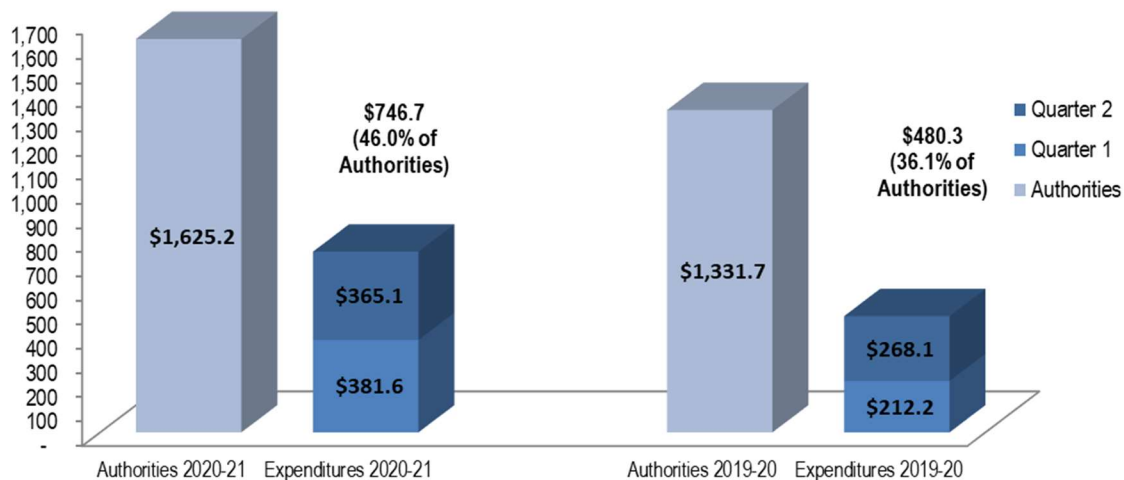
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on September 30, 2020 compared with the [previous fiscal year](#). This section should be read in conjunction 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 September 30, 2020 and those as of September 30, 2019.

Comparison of Budgetary Authorities and Expenditures
as of September 30, 2020 and September 30, 2019
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$365.1M during the second quarter of 2020–21 which represents an increase of \$97.0M over the second quarter of 2019-20. Higher expenditures are attributable to increases of \$77.4M in other statutory expenses mainly related to the Industrial Research Assistance Program – Innovation Assistance Program which is part of NRC’s COVID-19 response, an increase of \$9.9M in capital expenditures, an increase of \$7.5M in combined operating and statutory spendable revenue expenditure and as well as an increase of \$1.5M in grants and contributions expenditures. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of September 30, 2020, the authorities were \$1,625.2M, representing an increase of \$293.5 (22.0%) in comparison to the 2019-20 authorities of the same period.

The increase of \$293.5M in authorities is mainly explained by the following items:

- Increase of \$456.7M for the funding of the NRC’s response to COVID-19. NRC received \$374.2M for the Industrial Research Assistance Program – Innovation Assistance Program to help high-potential firms, support jobs and keep valuable intellectual property in Canada, \$40.0M to build a new Biologics Manufacturing Centre, \$33.5M to support businesses that are in the early stage



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of COVID-19 vaccine and therapeutic development and \$9.0M for the Youth Employment and Skills Strategy Program. These funds were received through the *Public Health Events of National Concern Payment Act*. The remaining balance of \$120.5M is subject for approval in the third quarter of this fiscal year through the Supplementary Estimate process.

- Capital authorities increased by \$12.8M. The variance is mainly caused by an increase of \$21.0M for the re-engineering of the NRC Royalmount facility in Montreal into a Good Manufacturing Practice (GMP) scale-up facility for vaccine development and manufacturing and the capital budget carry-forward of \$7.8M offset by the supply equivalent to three twelfths of NRC's 2020-21 Main Estimates (\$14.1M) not released due to amended House of Commons Standing Orders.
- Transfer payments consisting of Grants and Contributions (G&C) authorities decreased by \$83.2M. The variance is the result of the supply equivalent to three twelfths of NRC's 2020-21 Main Estimates (\$115.3M) not released due to amended House of Commons Standing Orders, offset by increases of \$15.0M to launch an NRC IRAP-Innovative Solutions Canada COVID initiative and \$5.0M for the NRC Pandemic Response Challenge Program.
- Combined operating and statutory authorities decreased by \$95.3M. The variance is the result of the supply equivalent to three twelfths of NRC's 2020-21 Main Estimates (\$113.7M) not released due to amended House of Commons Standing Orders and a decrease of \$22.8M related to the statutory revenue carry-forward, offset by an increase of \$20.5M in compensation related to the signing of collective bargaining agreements, an increase of \$11.1M related to the re-engineering of the NRC Royalmount facility in Montreal into a Good Manufacturing Practice (GMP) scale-up facility for vaccine development and manufacturing and \$9.5M related to NRC Pandemic Response Challenge Program.

The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2021 - As of September 30, 2020

(in millions of dollars)

	Vote 1 Operating	Vote 5 Capital	Vote 10 Grants & Contributions	Statutory Revenues	Contributions to EBP	Statutory - Other	Total
Authorities – Total available for use for the year ending March 31, 2021 - As of June 30, 2020							1,408.5
National Research Council of Canada - COVID-19 Response Funding	-	-	-	-	-	191.7	191.7
Operating and Capital Budget Carry-Forward	17.2	7.8	-	-	-	-	25.0
Total increase (decrease) in authorities in comparison to prior year	17.2	7.8	-	-	-	191.7	216.7
Authorities – Total available for use for the year ending March 31, 2021 - As of September 30, 2020							1,625.2



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 *Variations in year-to-date expenditures*

As of September 30, 2020, year-to-date expenditures were \$746.7M, representing an increase of \$266.4M (55.5%) in comparison to the 2019-20 expenditures of the same period. This increase is mostly attributable to the following items:

- Other statutory expenses for transfer payments associated to NRC's COVID-19 response increased by \$250.0M. This change is attributable to \$246.1M for Industrial Research Assistance Program – Innovation Assistance Program and \$3.9M for the Youth Employment and Skills Strategy Program;
- Capital expenditures increased by \$9.9M compared to the same period of the previous fiscal year. The change is mainly attributable to an increase of \$12.3M in professional fees and \$2.5M in acquisition of machinery and equipment, offset by a decrease of \$3.9M in acquisition of land, buildings and works;
- Combined operating and statutory expenditures increased by \$12.8M compared with the same period of the previous fiscal year. This change is mainly attributable to an increase in personnel costs of \$18.8M, not including employee benefits cost, as a result of renewed collective agreements, offset by decreases of \$6.8M in transportation and communication and \$1.4M in utilities, materials and supplies.
- Transfer payments consisting of Grants and Contributions (G&C) expenditures decreased by \$7.2M compared with the same period in the previous year. This change is principally attributable to a decrease of IRAP Contributions to Firms of \$11.6M, offset by an increase of \$3.8M in grants under the Innovative Solutions Canada Program.

3. Risks and uncertainties

In the second quarter, the NRC reviewed its suite of corporate risks and issues through a COVID-19 lens and commenced the 2020-21 mid-year corporate risk refresh. The review revealed that the NRC's Corporate Risk and Issues Profile was well-placed in terms of how the organization has been affected during the first six months of this crisis. Initial consultations with internal stakeholders have identified several risks and issues that have emerged or increased for the NRC amidst the pandemic, including cyber and physical security, leading a distributed workforce, and mandate management. It was also determined that the NRC's existing workplace wellness issue has increased in scope and the financial stability risk has increased in likelihood. Common contributing factors include the NRC's shift to a



distributed workforce, rapid adoption of new technologies, augmented support to priority government initiatives, and involvement in higher profile and higher impact R&D activities.

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

On August 5, the Minister of Innovation, Science and Industry and Minister of Public Services and Procurement announced measures to secure a future supply of COVID-19 vaccine and therapies, including the creation of the COVID-19 Vaccine Task Force. The Task Force draws on the expertise of vaccine and immunology experts, and industry leaders with the goal of developing and commercializing vaccines. The NRC was asked to provide Secretariat support, led by the NRC's former Secretary General, Roger Scott-Douglas.

On August 31, the Government of Canada announced \$126 million dollars over two years to build a new Good Manufacturing Practice (GMP) compliant biomanufacturing vaccine facility next to the NRC's Royalmount facility in Montréal. The investment will allow the NRC to expand production capacity up to two million doses a month by fall 2021.

In addition, the Government of Canada announced \$150 million dollars over three years to accelerate development and production of promising domestic COVID-19 vaccines and therapeutics. This investment will de-risk and accelerate R&D, process scale-up, and initial production of promising vaccine and therapeutics candidates for first-in-human studies

Furthermore, the Government of Canada also announced \$15 million dollars over two years to address critical R&D needs to support the immunization and treatment of Canadians.

Several leadership changes took place in the second quarter as a result of the government's need for NRC expertise and experience to support COVID-related efforts:

- The NRC's Vice-President of Business and Professional Services, Maria Aubrey, was appointed as Vice-President of Special Projects and tasked with leading an eighteen-month project to complete the new GMP Biologics Manufacturing Centre.
- The NRC's Vice-President of Transportation and Manufacturing, François Cordeau, assumed leadership of the Business and Professional Services division on a two-year assignment, while maintaining his lead on the Finitiative project. Ibrahim Yimer, Director General for the Aerospace Research Centre, became acting Vice-President of Transportation and Manufacturing for a one-year period.
- The NRC's Vice-President of Life Sciences, Dr. Roman Szumski, was asked to lead efforts related to vaccine acquisition on a twelve-month assignment at the Public Health Agency of Canada (PHAC).
- Finally, at the end of September, the NRC's President, Iain Stewart, was given the immense challenge of taking over as President of PHAC to lead the agency tasked with coordinating the



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country's pandemic response, for two years. Roger Scott-Douglas was appointed as Acting President for 90 days while continuing in his role as Secretary to the COVID-19 Vaccine Task Force. Cabinet will formally appoint an Acting President in the third quarter, to lead for the remainder of Iain Stewart's appointment to PHAC.

Approved by senior officials

Approved by:

X

Roger Scott-Douglas, PhD

President (Acting)

X

Dale MacMillan

Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada



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Statement of Authorities (unaudited)
For the quarter ended September 30, 2020

	Fiscal Year 2020-21 (in thousands of dollars)		
	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
	Vote 1 - Operating expenditures	378,826	120,864
Vote 5 - Capital expenditures	71,139	25,035	32,961
Vote 10 - Grants and contributions	365,852	96,230	150,947
Statutory revenue **	288,920	29,750	56,148
Statutory EBP	63,784	15,751	31,502
Statutory - Other ***	456,680	77,407	249,941
Total Budgetary authorities	1,625,201	365,037	746,675

	Fiscal Year 2019-20 (in thousands of dollars)		
	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	451,284	110,478
Vote 5 - Capital expenditures	58,320	15,072	23,053
Vote 10 - Grants and contributions	449,105	94,714	158,142
Statutory revenue **	311,745	32,592	51,103
Statutory EBP	61,237	15,309	30,619
Total Budgetary authorities	1,331,691	268,165	480,330

* 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).

*** Includes payments pursuant to section 2 of the Public Health Events of National Concern Payments Act and the Canada Emergency Response Benefit Act.



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Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended September 30, 2020

	Fiscal Year 2020-21 (in thousands of dollars)		
	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
	Expenditures:		
Personnel	406,094	125,172	247,273
Transportation and communications	25,649	440	653
Information	3,882	239	439
Professional and special services	101,617	28,335	36,917
Rentals	18,803	1,903	4,101
Purchased repair and maintenance	24,783	4,234	6,349
Utilities, materials and supplies	88,080	6,860	10,822
Acquisition of land, buildings and works	80,954	3,717	5,615
Acquisition of machinery and equipment	53,598	11,131	22,877
Transfer payments	782,512	173,637	400,888
Other subsidies and payments	39,229	9,369	10,741
Total net budgetary expenditures	1,625,201	365,037	746,675
	Fiscal Year 2019-20 (in thousands of dollars)		
	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
	Expenditures:		
Personnel	469,099	116,355	227,993
Transportation and communications	25,980	3,969	7,437
Information	2,599	404	722
Professional and special services	109,494	15,148	23,483
Rentals	16,520	1,952	4,893
Purchased repair and maintenance	29,598	3,625	6,539
Utilities, materials and supplies	68,020	6,758	12,370
Acquisition of land, buildings and works	49,912	5,395	8,841
Acquisition of machinery and equipment	60,183	13,033	21,067
Transfer payments	449,105	94,714	158,142
Other subsidies and payments	51,181	6,812	8,843
Total net budgetary expenditures	1,331,691	268,165	480,330

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