



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). The QFR should be read in conjunction with the Main Estimates, the Federal Budget ([Budget 2016](#), [Budget 2017](#), [Budget 2018](#), [Budget 2019](#) and [Budget 2021](#)) 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 December 31, 2021.

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 2021-22, 2021-22 Supplementary Estimates (A), 2021-22 Supplementary Estimates (B) 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.

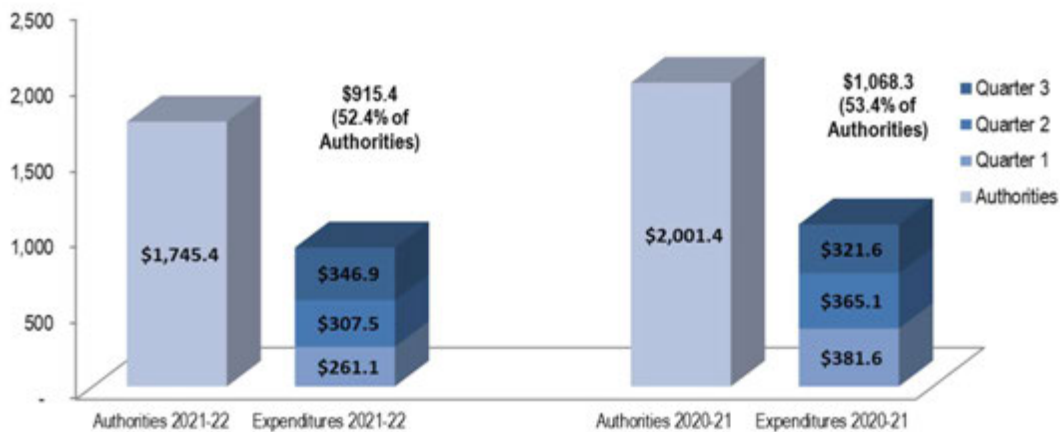
2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

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 December 31, 2021 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 December 31, 2021 and those as of December 31, 2020.

Comparison of Budgetary Authorities and Expenditures
 as of December 31, 2021 and December 31, 2020
(in millions of dollars)



As shown in the graph above, the NRC's expenditures totalled \$346.9M during the third quarter of 2021–22 which represents an increase of \$25.3M over the third quarter of 2020-21. Higher expenditures are mainly attributable to an increase of \$41.3M in grants and contributions, an increase of \$11.3M combined in operating and statutory spendable revenue expenditures, offset by a decrease of \$25.1M in other statutory expenses and a decrease of \$2.8M in capital expenditures. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of December 31, 2021, the authorities were \$1,745.4M, representing a decrease of \$256.0M (12.8%) in comparison to the 2020-21 authorities of the same period.

The decrease of \$256.0M in authorities is mainly explained by the following items:

- A net decrease of \$440.3M in funding allocated for NRC's response to COVID-19, the majority of which relates to the sunseting of the Innovation Assistance Program at the end of fiscal year 2020-21;
- A decrease of \$25.1M in Federal Infrastructure Funding; and

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- A decrease of \$6.2M for the construction and commissioning of the International Thirty Meter Telescope due to the revised financial profile of the program; offset by
- An increase in Grants & Contribution funding for the Industrial Research Assistance Program, including \$90.0M for Contributions to Firms, \$60.0M for its Youth Employment Strategy and Skills Program, and \$13.5M for the IP Assist Program;
- A \$21.8M increase in the value of funding reprofiled through the Capital Budget Carry-Forward mechanism;
- An increase of \$10.9M related to NRC's statutory revenue carry-forward authority;
- A \$9.7M increase in Operating Funding for IRAP to administer its Grants and Contributions programs; and
- An increase of \$6.5M in compensation allocation related to the signing of collective bargaining agreements.

The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2022 - As of December 31, 2021

(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, 2022 - As of September 30, 2021							1,627.3
Funding to support the Industrial Research Assistance Program (Budget 2021)	8.5	-	90.0	-	1.2	-	99.7
Funding for the IP Assist program (Budget 2021)	1.2	-	13.5	-	0.3	-	15.0
Compensation Allocations and Reimbursement of Paylist Items	3.4	-	-	-	-	-	3.4
Total increase (decrease) in authorities in comparison to prior year	13.1	-	103.5	-	1.5	-	118.1
Authorities – Total available for use for the year ending March 31, 2022 - As of December 31, 2021							1,745.4

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 December 31, 2021, year-to-date expenditures were \$915.4M, representing a decrease of \$152.8M (14.3%) in comparison to the 2020-21 expenditures of the same period. This decrease is mostly attributable to the following items:

- Statutory expenses associated with NRC's COVID-19 response decreased by \$275.0M. This change is principally attributable to \$255.5M for the Innovation Assistance Program, \$9.0M for the Youth Employment and Skills Strategy Program as well as \$7.2 for the expansion of the Biologics Manufacturing Centre;
- Capital expenditures increased by \$15.3M compared to the same period of the previous fiscal year. The change is mainly attributable to an increase of \$32.8M in acquisition of land, buildings and works offset by a decrease of \$14.6M in professional fees as well as a decrease of \$4.4M in acquisition of machinery and equipment;
- Combined operating and statutory expenditures increased by \$31.6M compared with the same period of the previous fiscal year. This change is mainly attributable to an increase in personnel costs of \$15.8M, not including employee benefits cost, as a result of collective agreements and changes to personnel levels, an increase of \$11.1M in acquisition of machinery and equipment, an increase of \$2.1M in professional fees, as well as an increase of \$2.0 in utilities, materials and supplies; and
- Transfer payments consisting of Grants and Contributions (G&C) expenditures increased by \$73.4M compared with the same period in the previous year. This change is principally attributable to an increase of IRAP Contributions to Firms of \$36.9M and an increase of \$35.4M for the Youth Employment and Skills Strategy Program.

3. Risks and uncertainties

In the third quarter, external events presented ongoing risks for the NRC, the most significant being the COVID-19 pandemic. The emergence of the Omicron variant presented risk to the NRC's ability to maintain the same level of onsite activity, and therefore, its ability to deliver on its research objectives. The pandemic is also contributing to rising inflation and supply disruptions in some areas, increasing cost pressures for the NRC.

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

On October 12, 2021, Iain Stewart returned to his role as NRC President following an assignment as President of the Public Health Agency of Canada, which began in September 2020.



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Director General of the Automotive and Surface Transportation Research Centre, Dr. Éric Baril, took over the role of acting Vice-President of Transportation and Manufacturing for a one-year assignment beginning October 4, 2021. Dr. Ibrahim Yimer returned to his position as Director General of the Aerospace Research Centre after his one-year assignment in the Vice-President role.

Dr. Michel Dumoulin, Vice-President of Engineering, took on a new role as Special Advisor to the President starting in December 2021. Dr. Jean-Francois Houle has assumed additional responsibilities as Acting Vice-President of Engineering at this time.

On October 6, the Government of Canada announced details on mandatory COVID-19 vaccinations for public servants in the core public administration. To align with the mandate, the NRC established a framework and processes to implement the initiative, including the requirement for all employees to complete vaccination attestations in the NRC's new Vaccine Attestation Tracking System by November 30.

The NRC's first Collaboration centre, the Centre for Research and Applications in Fluidic Technologies (CRAFT) – an NRC partnership with the University of Toronto – opened new facilities on the university's St. George campus in November. Along with its existing facilities located at the NRC-Boucherville facility, the new Device Foundry will help keep CRAFT at the forefront of microfluidics research in Canada, by bringing together researchers, clinicians, entrepreneurs and industry collaborators to explore new territories in fluidic device fabrication.

In late November, the NRC signed a two-year cooperation agreement with the international Square Kilometre Array Observatory (SKAO). Canada has been a member of the SKAO's predecessor since its creation in 2011, and has been involved in the Square Kilometer Array (SKA) project from its earliest stages. The agreement will allow the NRC to continue participation with international collaborators and contribute to the science and technology behind the observatory and its leading-edge radio telescopes.

Approved by senior officials

Approved by:

X

Iain Stewart

President



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Dale MacMillan

Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada



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Statement of Authorities (unaudited)
For the quarter ended December 31, 2021

	Fiscal Year 2021-22 (in thousands of dollars)		
	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	515,646	122,539	362,356
Vote 5 - Capital expenditures	111,354	22,092	73,115
Vote 10 - Grants and contributions	751,364	152,763	335,830
Statutory revenue **	299,821	33,126	94,942
Statutory EBP	67,264	16,400	49,198
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,745,449	346,920	915,441

	Fiscal Year 2020-21 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2021 *	Used during the quarter ended December 31, 2020	Year to date used at quarter-end
Vote 1 - Operating expenditures	503,613	118,418	343,594
Vote 5 - Capital expenditures	135,933	24,849	57,810
Vote 10 - Grants and contributions	551,976	111,474	262,421
Statutory revenue **	288,920	25,973	82,121
Statutory EBP	64,273	15,751	47,253
Statutory - Other ***	456,680	25,093	275,034
Total Budgetary authorities	2,001,395	321,558	1,068,233

* 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 December 31, 2021

Fiscal Year 2021-22 (in thousands of dollars)			
	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
Expenditures:			
Personnel	519,965	126,352	391,156
Transportation and communications	28,349	915	1,899
Information	3,011	142	499
Professional and special services	126,635	22,057	45,624
Rentals	17,840	2,406	7,656
Purchased repair and maintenance	32,635	4,301	12,929
Utilities, materials and supplies	73,837	11,862	27,445
Acquisition of land, buildings and works	61,316	9,117	39,024
Acquisition of machinery and equipment	99,350	17,076	42,759
Transfer payments	751,364	152,763	335,816
Other subsidies and payments	31,147	(71)	10,634
Total net budgetary expenditures	1,745,449	346,920	915,441
Fiscal Year 2020-21 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2021 *	Used during the quarter ended December 31, 2020	Year to date used at quarter- end
Expenditures:			
Personnel	519,984	126,650	373,924
Transportation and communications	26,354	525	1,178
Information	3,988	174	612
Professional and special services	110,089	21,178	58,094
Rentals	19,353	2,106	6,208
Purchased repair and maintenance	25,693	4,961	11,310
Utilities, materials and supplies	90,314	14,109	24,930
Acquisition of land, buildings and works	123,075	6,694	12,309
Acquisition of machinery and equipment	73,544	14,476	37,353
Transfer payments	968,636	129,360	530,248
Other subsidies and payments	40,365	1,325	12,067
Total net budgetary expenditures	2,001,395	321,558	1,068,233

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