



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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 and the Federal Budget. 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, 2022.

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 2022-23, 2022-23 Supplementary Estimates (A), and 2022-23 Supplementary Estimates (B). 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

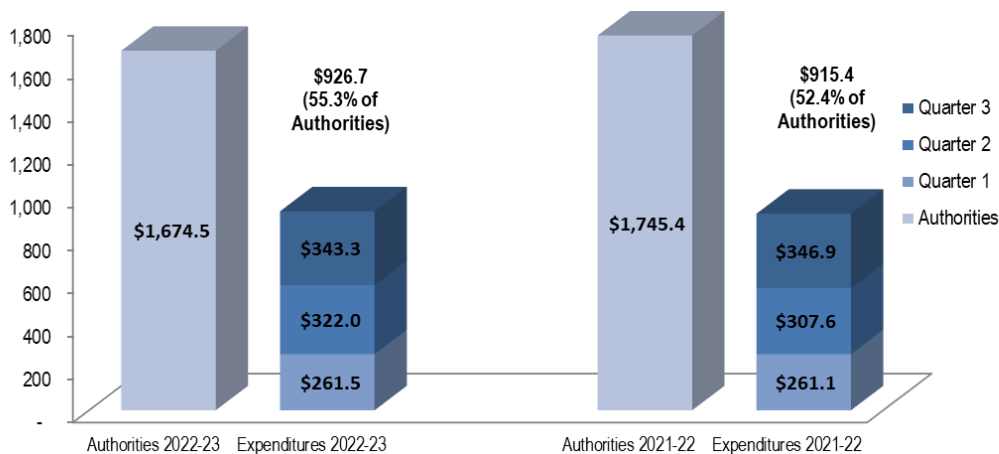
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2022 compared with the [previous fiscal year](#). This section should be read in conjunction 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, 2022 and those as of December 31, 2021.

Comparison of Budgetary Authorities and Expenditures
as of December 31, 2022 and December 31, 2021
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$343.3M during the third quarter of 2022–23 which represents a decrease of \$3.6M over the third quarter of 2021-22. This decrease is mainly attributable to decreased transfer payments and equipment spending, partially offset by increased spending on buildings, personnel, utilities, and supplies. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of December 31, 2022, NRC’s authorities were \$1,674.5M, representing a decrease of \$70.9M (4%) in comparison to the 2021-22 authorities of the same period.

The decrease of \$70.9M in authorities is mainly explained by the following items:

- A decrease of \$159.8M in temporary funding NRC received for COVID-19 Medical Counter Measures;
- A decrease of \$51.1M in funding for IRAP Youth Employment Skills Strategy; offset by

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- A net increase in other IRAP funding of \$56.2M, including IRAP funding announced in Budget 2021.
- An increase of \$24.6M in funding for the construction and commissioning of the International Thirty Meter Telescope due to the revised financial profile of the program;
- \$23M in new funding for the Canadian Photonics Fabrication Centre;
- \$13.2M of new funding for the Square Kilometer Array Observatory;
- An increase of \$8.4M to NRC's statutory revenue carry-forward;
- \$7.4M in new funding for the Alliance–Quantum Strategy;
- A net increase of \$4.6M 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, 2023 - As of December 31, 2022

(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, 2023 - As of September 30, 2022							1,609.6
Funding to support the Industrial Research Assistance Program	1.5	-	36.8	-	-	-	38.3
Funding for Other Programs	9.8	1.7	6.9	-	0.2	-	18.6
Compensation Allocations and Reimbursement of Paylist Items	8.0						8.0
Total increase (decrease) in authorities in comparison to prior year	19.3	1.7	43.7	-	0.2	-	64.9
Authorities – Total available for use for the year ending March 31, 2023 - As of December 31, 2022							1,674.5

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, 2022, year-to-date expenditures were \$926.7M, representing an increase of \$11.3M (1.2%) in comparison to the 2021-22 expenditures of the same period. This increase is mostly attributable to the following items:

- Operating expenditures including personnel costs, increased by \$26.3M, in part due to the operating costs of the Biologics Manufacturing Centre;
- Grants and Contributions increased by \$4.4M, mainly due to incremental funding received in Budget 2021; offset by
- a decrease of \$18.8M in capital expenditures. These expenditures were higher in FY2021-22 due to the construction of the Biologics Manufacturing Centre.

3. Risks and uncertainties

In the third quarter of 2022–23, risks of primary concern to the NRC were operational in nature, centered on people, processes and systems. Cyber security remained an area of diligence, as the sophistication and frequency of cybercrimes continues to increase. Several efforts are underway to secure valuable data and assets and prepare for potential cyber security events. Constrained labour market conditions and increasing competition for STEM talent continued to pose challenges for recruitment and retention of highly-skilled employees. In response, the development of a new talent attraction strategy continued. Global supply chains continued to face disruptions, though mitigation measures were successful in securing the timely delivery of goods and materials for critical NRC projects. A growing dependence on technology in the workplace, combined with increasingly outdated IT infrastructure continued to threaten smooth business operations. To mitigate this risk, upgrades were sought to prevent network outages and future NRC facility recapitalization projects led by the new Office of Facilities Renewal Management will include considerations for the modernization of aspects of NRC IT equipment.

In addition to the operational risks mentioned above, the NRC continued to closely monitor financial risks such as persistent inflation and the growing possibility of a recession. Though these economic conditions tend to place downward pressure on revenues and activity with private-sector clients, to date, mitigation measures have meant that impact on revenues has been small.



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

On October 6, the Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry announced the renewal of Council members for the NRC, including the reappointment of Dr. Douglas Muzyka as Chair of the Council, and appointment of three new members and six returning members. Council members contribute unique insights based on their experience and knowledge in a range of fields to inform the NRC's strategic direction and guide its work to address critical issues of importance to Canadians.

The Government of Canada released the 2022 Fall Economic Statement on November 4, which included investments of \$962.2M over 8 years and \$121.1M ongoing to renew the NRC's facilities and real property as part of the NRC modernization. The funding will allow more flexibilities in allocating existing capital funding, such as facility investments that are transformative and advance the digitalization of research. The NRC has set up a new Office of Facilities Renewal Management to be responsible for overall coordination and delivery of the recapitalization program.

The NRC launched its new Applied Quantum Computing Challenge program on November 25. The program will help build on Canada's position as a global leader in applied quantum computing by delivering quantum applications and software, and developing new technologies for human health, climate change and advanced materials. Developed in alignment with the National Quantum Strategy, the program will allow the NRC to work with industry, academia and federal partners to explore applications of quantum computing for public service operations and commercial innovation.

On December 6, the NRC-University of Waterloo Collaboration Centre launched the new innovation hub located in the University of Waterloo. Building on growing collaborations since 2019, this marked the official launch of the Collaboration Centre hub aimed at keeping Canadian researchers at the forefront of digital innovation in artificial intelligence, the Internet of Things and cybersecurity. The NRC President, Iain Stewart, and Chief Digital Research Officer, Dr. Joel Martin, joined research leads and students from both institutions to celebrate the partnership and tour the new space.



In December 2022, the NRC and the Centre for Commercialization of Regenerative Medicine officially set-up a new independent not-for-profit corporation, Biologics Manufacturing Centre Inc. (BMC Inc.) to govern the operations of the BMC. As an independent not-for-profit corporation, BMC Inc. will be able to operate in line with the biomanufacturing industry, while delivering on its mandates to respond to health emergencies, support public-interest projects, and contribute to the growth and resilience of Canada's life sciences sector. An interim board of directors was appointed to establish the corporate structure and systems of BMC Inc., and appointed Maria Aubrey as interim Chief Executive Officer. At the NRC, Christine Jodoin took over as acting Vice-President of Strategic Initiatives.

Approved by senior officials

Approved by:

X

Iain Stewart

President

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 December 31, 2022

Fiscal Year 2022-23 (in thousands of dollars)			
	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
Vote 1 - Operating expenditures	532,705	137,121	388,608
Vote 5 - Capital expenditures	79,649	28,807	54,306
Vote 10 - Grants and contributions	684,760	131,201	340,176
Statutory revenue **	308,433	28,973	92,114
Statutory EBP	68,959	17,179	51,537
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,674,506	343,281	926,741

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	49,199
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,745,449	346,920	915,442

* 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, 2022

Fiscal Year 2022-23 (in thousands of dollars)			
	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
Expenditures:			
Personnel	535,697	130,563	393,904
Transportation and communications	11,751	3,098	6,777
Information	2,016	275	737
Professional and special services	135,186	21,157	47,987
Rentals	14,777	4,043	10,028
Purchased repair and maintenance	32,689	5,784	14,018
Utilities, materials and supplies	74,846	15,759	33,884
Acquisition of land, buildings and works	46,923	17,994	36,144
Acquisition of machinery and equipment	107,863	10,911	30,784
Transfer payments	684,760	131,201	340,176
Other subsidies and payments	27,995	2,496	12,302
Total net budgetary expenditures	1,674,503	343,281	926,741
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	519,966	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	17,841	2,406	7,656
Purchased repair and maintenance	32,635	4,301	12,929
Utilities, materials and supplies	73,837	11,863	27,445
Acquisition of land, buildings and works	61,316	9,117	39,024
Acquisition of machinery and equipment	99,350	17,075	42,758
Transfer payments	751,364	152,764	335,816
Other subsidies and payments	31,147	(72)	10,636
Total net budgetary expenditures	1,745,451	346,920	915,442

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