

## Social Sciences and Humanities Research Council of Canada Quarterly Financial Report for the Quarter Ended September 30, 2012

### Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs, and Budget 2012 Implementation

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#### 1. Introduction

The Social Sciences and Humanities Research Council of Canada (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II of the *Financial Administration Act*. SSHRC's legislative mandate is to promote and assist research and scholarship in the social sciences and humanities, and advise the minister in respect of such matters relating to such research as the Minister may refer to the Council for its consideration.

Social sciences and humanities research builds knowledge about people in the past and present, with a view towards creating a better future, by:

- Supporting postsecondary research and research training to enhance the economic, social and cultural development of Canada, its communities and regions; and
- Contributing to key policies across government and society by funding excellent research on priority issues.

Further information on the SSHRC mandate and program activities can be found in [Part II of the Main Estimates](#).

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the [Main Estimates](#) and [Supplementary Estimates](#) for 2012-13.

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**Basis of Presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes SSHRC's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2012-13 fiscal year. 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 monies can be spent by the Government. 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.

As part of the parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government 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.

SSHRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

## **2. Highlights of Fiscal Quarter**

### **Statement of Authorities**

#### **Available Authorities**

SSHRC manages total authorities of \$690 million, \$332.4 million of which corresponds to the tri-agency [Indirect Costs Program](#) on behalf of the other two federal research granting agencies, the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Canadian Institutes of Health Research (CIHR).

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As of September 30, 2012, SSHRC's total authorities available for 2012-13 amounted to \$689.6 million. The changes in total available authorities are the result of previous federal budget announcements and Parliament decisions that impact both the operating authorities (vote 90), and the grants and scholarships program authorities (vote 95) in the current fiscal year; the total available authorities include the 2012-13 Supplementary Estimates (A) (SEA). There was no SEA process in 2011-12 due to the federal election. In addition, SSHRC is authorized to transfer up to 5% of its operating budget (vote 90) to the next fiscal year (representing up to \$1.15 million carry-forward from 2011-12 to 2012-13). This operating budget carry-forward process is in place to provide federal departments and agencies with some flexibility to manage cash flow appropriately and to address schedule variances in operating projects. To date for 2012-13, these cumulative changes have resulted in an increase in total authorities of \$11 million (1.6%) over the previous year. This net increase in total authorities is attributable to a \$10.7 million increase in grant and scholarship authorities (vote 95) for expanded programs, a net increase of \$368,000 in operating expenditures and employee benefits plans authorities due to the augmentation of certain funding, and is offset by a decrease in the operating budget carry-forward amount over the previous year. The following elements comprise the changes in total available authorities:

- an increase of **\$10.0 million** in the Indirect Costs Program to assist Canadian postsecondary institutions by supporting costs of federally funded research conducted on campuses across Canada. This program helps researchers concentrate on cutting edge discoveries and research excellence (*Budget 2011*);
- an increase of **\$7.0 million** in grants and scholarships programs to support world-leading research in the social sciences and humanities, such as partnership activities in priority areas including the digital economy (*Budget 2011*);
- an increase of **\$0.4 million** in grants and scholarships programs due to a transfer from Heritage Canada to support the Sport Participation Research Initiative;
- an increase of **\$0.1 million** in grants and scholarships programs due to a transfer to cover dedicated funding initiatives that fall under SSHRC's mandate;
- a decrease of **\$3.5 million** related to the Canada Graduate Scholarships Program due to the phase-out of the Economic Action Plan (*Budget 2009*);
- a decrease of **\$1.0 million** due to the sunseting of funds of the Business Led Networks of Centres of Excellence program (renewal of these funds will be completed this fiscal year);
- a decrease of **\$1.0 million** in the Metropolis Project, funded by SSHRC and a consortium of federal departments and agencies led by Citizenship and Immigration Canada;
- a decrease of **\$0.5 million** in the Networks of Centres of Excellence program due to the sunseting of funding from (*Budget 2004*);
- a decrease of **\$0.4 million** in grants and scholarships programs due to a transfer to the International Development Research Centre for the International Research Initiative on Adaptation to Climate Change; and
- a decrease of **\$0.08 million** in the amount of the operating carry-forward over the previous year—the amount of carry-forward in 2011-12 was \$1.01 million in comparison to \$921 thousand in 2012-13.

#### **Authorities Used in Second Quarter**

This departmental QFR reflects the results of the current fiscal period in relation to the 2012-13 Main Estimates and the Supplementary Estimates (A), for which full supply was released by Parliament on



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June 29, 2012 and the carry-forward of operating funds from 2011-12 to 2012-13 that was approved on September 28, 2012.

Total authorities used during the second quarter of 2012-13 amounted to \$195.4 million (28.3% of the total available authorities: 28.5% of the total authorities used for grants and scholarships programs and 25.1% for operating expenditures and employee benefits). This represents a \$19.8 million decrease from the same quarter of the previous fiscal year (\$20.7 million net decrease was experienced in authorities used for grant and scholarship expenditures, while the operating and employee benefit expenditures increased by \$832,000 in comparison of the same quarter of last fiscal year). The decrease in grant and scholarship expenditures is a result of payment timing differences between quarters of the comparative fiscal years, which will be offset by year-end.

Grant and scholarship payments vary between periods due to the cycle and results of the peer-reviewed funding opportunity competitions as well as the multi-year award profiles. The operating expenditures cover personnel and other operating expenses required to support the delivery of the grants and scholarships programs. Expenditures related to the employee benefits plan are accounted for separately in statutory authorities. Although the majority of personnel expenditures and other operating costs are incurred in a consistent manner throughout the fiscal year, the balance of expenditures, including temporary employees hired for the peak competition season and travel costs for peer reviewers, occur in direct conjunction with the program cycle and are demand-driven. As a large proportion of the program competitions occur in the last quarter of the fiscal year, the expenditures in each of the first three quarters are typically less than 25% of the annual available operating authorities. In the second quarter, the operating expenditures are over 25% of the annual available authorities because some benefits were paid to SSHRC employees as the result of the renewal of the collective agreement. SSHRC employees had the option to cash out certain benefits that were no longer included in the collective agreement.

#### **Authorities Used Year-to-date**

Total authorities used cumulatively during the first six months of the 2012-13 fiscal year represented \$325.6 million (47.2% of the available authorities). This represents \$6.5 million less than the previous fiscal year, of which \$7.3 million is attributed to grants and scholarships expenditures. The main factor for this overall decrease is payment timing differences between the comparative fiscal years. The proportion of the cumulative grants and scholarships authorities used in the fiscal year was lowered to 47.3% in 2012-13 from 49.2% in the previous fiscal year. The cumulative authorities used in this fiscal year for operating expenditures and employee benefits plan increased by \$789,000 over the last fiscal year. SSHRC has spent 46.0% of its operating authorities and employee benefits plan in the current fiscal year, compared to 43.7% in 2011-12. The main factor of this increase is cash-out of some benefits by SSHRC employees as per the approved Terms and Conditions of Employment.

### **Statement of Departmental Budgetary Expenditures by Standard Objects**

#### **Variation in Amounts Available for Use in 2012-13**

As described in the Available Authorities section, SSHRC's total parliamentary authorities have increased by \$11 million for 2012-13 over the previous year. This increase is attributed mainly to the increase in transfer payments (i.e., grant and scholarship) program authorities.

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The implementation of the government's efforts to return to a balanced budget had no significant impact on the overall results of the second quarter but could explain variances between expenditures by standard objects. The savings that resulted from the changes will affect the results of the quarters to come.

**Transfer Payment Expenditures (Grants and Scholarships)**

**Second Quarter Grant and Scholarship Expenditures**

Transfer payments represent over 96% of SSHRC's total available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of the funding opportunity cycles. During the second quarter of 2012-13, SSHRC's transfer payment expenditures decreased by \$20.7 million over the same quarter of the previous fiscal year. The main factor for this decrease is payment timing differences between comparative quarters. The majority of the payment timing differences (\$31.5 million or 154% of the total) are due to earlier spending in the Indirect Costs Program in the first quarter for which some payments were made at the beginning of the second quarter last fiscal year. In addition to this timing difference some payments made for this program in September 2011-12 are scheduled to be paid in October in 2012-13. This timing difference is compensated with a reversed timing difference on other programs such as Insight Development Grants, for which the payments of \$3.4 million made during the first quarter in 2011-12 were paid at the beginning of the second quarter this fiscal year and which payments of \$7.5 million made during the second quarter this year were made during the third quarter last year.

**Year-to-Date Grants and Scholarships Expenditures**

At the end of the second quarter, SSHRC spent \$7.3 million (2.3%) less than what was spent at the same point in the previous fiscal year. The main factor is the timing difference between the second and third quarters mentioned in the previous paragraph (\$15 million for Indirect Costs and \$7.5 on other programs such as Insight Development Grants). For Indirect Costs, the payments will be made in October 2012, and will offset the difference of the payments from Insight Development Grants that were made in third quarter last year.

**Second Quarter and Year-to-Date Personnel Expenditures**

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's planned operating expenditures (69% of available operating authorities or expenditures for 2012-13). The personnel expenditures for the first six months of the fiscal year of 2012-13 increased by \$867,000 (9%), mostly in the second quarter (\$977,000) in comparison to the same period of the previous year. This increase is the result of changes in the SSHRC Collective Agreement. To reduce the government's financial liability and to align with the greater Public Service and the Canadian Labor Market, where severance pay in the case of voluntary departures is not common practice, severance benefits for retirement and resignation ceased to accumulate, and accumulated severance benefits were paid out to SSHRC employees. Treasury Board Secretariat will compensate SSHRC for these expenditures and the SSHRC operating authorities will be increased accordingly in the upcoming quarters.

### **Second Quarter and Year-to-Date Non-Personnel Operating Expenditures**

Non-personnel operating expenditures include all other operating costs related to the support of program delivery. A significant proportion of these costs relate to funding competitions that take place predominantly during the latter quarter of the fiscal year. Total non-personnel expenditures to date are in line with the comparable expenditures of the previous year. The implementation of the government's efforts to return to a balanced budget had no significant impact on the overall non-personnel operating expenditures of the second quarter, but could explain variances between expenditures by standard object. Certain changes in operation such as the use of teleconferencing which is in line with Government-wide efficiency initiatives explains the decreases and increases in certain expenditures such as the Acquisition of machinery and equipment.

## **3. Risks and Uncertainties**

### **Funding and Program Delivery Risk Factors**

Through the council's most recent corporate risk identification exercise, the risks that have a potential financial impact or that deal with financial sustainability have been assessed. The impact on SSHRC and the planned mitigation strategies related to these risks are discussed below.

#### **External Risk Factors**

SSHRC is funded through annual parliamentary spending authorities and statutory authorities for program transfer payments (grants and scholarships programs) and for its supporting operating expenditures. As a result, its program activities and operations are impacted by any changes to funding approved through Parliament. Accordingly, delivering programs can be affected by factors such as the economic and political climate, technological and scientific development, and evolving government priorities, which impact approved resource levels (total available authorities).

Research and innovation are part of a global enterprise; therefore participation in our programs is not only influenced by the Canadian context, but also by initiatives and opportunities worldwide. Formal communications and external relations strategies are developed by SSHRC to ensure that stakeholder relationships and expectations are managed effectively and that SSHRC has fulfilled the research and innovation needs.

There is also the risk that SSHRC fails to achieve its mandate and strategic outcomes. To mitigate this risk, an integrated planning process was initiated by SSHRC in 2009. This process will serve as the foundation for SSHRC to plan all aspects of its business in an integrated manner in order to align priorities and resources accordingly.

#### **Internal Risk Factors**

SSHRC is a knowledge-based organization that relies on maintaining its talented and committed workforce to deliver its programs. To retain its valuable human resources and their corporate memory, SSHRC has developed a human resources strategy that outlines the organization's commitments and action plan for developing talent and for building and sustaining a thriving and successful workplace and work culture. SSHRC's financial restraints are challenging their ability to hire the skilled resources needed

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to successfully achieve the transformation and realignment agendas to meet tomorrow's needs. Potential consequences could include workload management issues and succession planning challenges.

SSHRC is transforming its business in order to adapt more efficiently to internal changes and to improve external client service.

Federal Budget 2010 and Budget 2011 announced operating budget constraint measures and froze the operating budgets of federal departments and agencies at their 2010-11 levels for fiscal years 2011-12 and 2012-13. Federal Budget 2012 announced the Government of Canada's efforts to return to a balanced budget. The resulting budgetary pressures include the self-financing of annual salary increases requiring internal reductions and reallocation measures. These pressures are compounded by the operational requirement to support an increased and broadened program base while processing an increasing number of applications within limited operational envelopes and inflationary costs on operating expenditures. SSHRC is also managing the requirement for the implementation of modernized technology solutions to better support program delivery.

Thus far, SSHRC has achieved the reduction of its operating pressures through economies of scale achieved by the shared administrative service arrangements with the Natural Sciences and Engineering Research Council of Canada (NSERC), corporate-wide prioritization and reduction of activities, internal reallocations, and a focus on streamlining and generating efficiencies wherever possible. An established budgetary process with regular in-year budget reviews and formal reallocations for emerging priorities approved by senior management supports this endeavour. SSHRC is also undertaking a revision of its operating and grant delivery systems and processes to generate further efficiencies and future savings.

SSHRC is a lean agency in terms of operating funding provided to deliver existing and expanding programs (less than 4% of total resources). An integrated planning process to address restraint measures and funding cuts was developed to enhance SSHRC's resource decision-making.

#### **4. Significant Changes Related to Operations, Personnel and Programs**

SSHRC has undertaken a program architecture renewal initiative to create a more flexible and effective system of program application and assessment, allowing it to maximize its impact on Canada's economic prosperity and quality of life. The new program architecture has placed an emphasis on developing talent, and insights through research excellence, and enabling connections and partnerships within and beyond academia, for the benefit of society. This has resulted in greater overall program coherence with flexible programming, a more responsive competition cycle, an improved and simplified interface for applicants, and an improved reporting system on results. The implementation of the new program architecture allows for the consolidation of existing and new funding opportunities under umbrella programs, as well as enhanced business processes and service delivery. These implications will evolve over the years to come.

There were a number of important changes in comparison with the previous fiscal year that relate to operations, personnel and programs. These include the impacts caused by SSHRC's increased available authorities, which resulted in expanding dimensions of the partnership program. SSHRC is optimizing the new investment of \$7 million, announced in Economic Action Plan 2012, to enhance support for industry-academic partnership initiatives. This new investment will be funded through SSHRC's partnership grants

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and partnership development grants. Implementation of government-wide operating budget constraint measures continued in meeting the government's efforts to return to a balanced budget for which details are described in the section below. The federal Budget 2012, tabled in March, included funding announcements with additional program dimensions that are being implemented by SSHRC, following Treasury Board and Parliament approvals, over the course of the fiscal year.

## **5. Budget 2012 Implementation**

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

As part of the Government of Canada's spending review, SSHRC examined all of its activities to identify opportunities for savings and for greater effectiveness and efficiencies in its operations.

As noted in Economic Action Plan 2012, SSHRC will achieve savings of approximately \$7 million in 2012-13. The Government of Canada reinvested \$7 million this year to enhance support for industry-academic partnership initiatives, making the net impact on SSHRC's overall budget neutral for 2012-13. Net Savings will increase by \$7 million in 2013-14 and ongoing.

In realizing operating budget savings, a number of measures are being implemented to generate greater efficiency and effectiveness, including an enhanced use of technological advancements, such as teleconferencing and virtual meetings. A rigorous and cohesive approach to priority setting, project planning and training will further help SSHRC meet its goals.

Expenditures in the first two quarters of 2012-13 are lower than the same period from the previous fiscal year. The difference between the two fiscal years is mainly due to timing difference on grants payments. The saving measures for Budget 2012 will be reflected later in the fiscal year.

No incremental funding was provided to SSHRC to implement the savings.

There are no financial risks or uncertainties related to these savings.

Approved by:

Originally signed by:

Originally signed by:

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**Chad Gaffield, PhD, FRSC**  
**President, SSHRC**

**November 28, 2012**

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**Jaime W. Pitfield**  
**Vice-President and Chief**  
**Financial Officer, SSHRC**



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**6. Statement of Authorities (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal Year 2012-2013			Fiscal Year 2011-2012		
	Total available for use for the year ending March 31, 2013*	Used during the quarter ended September 30, 2012	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2012*	Used during the quarter ended September 30, 2011	Year-to-date used at quarter-end
Vote 90 – Net Operating Expenditures	24,445	6,135	11,131	23,948	5,271	10,278
Vote 95 – Grants and Contributions	662,353	188,521	313,070	651,685	209,198	320,341
Budgetary Statutory Authorities – Employee Benefits Plan	2,800	700	1400	2,929	732	1,464
<b>Total Budgetary Authorities</b>	<b>689,598</b>	<b>195,356</b>	<b>325,601</b>	<b>678,562</b>	<b>215,201</b>	<b>332,083</b>
<b>Non-Budgetary Authorities</b>				-	-	-
<b>Total Authorities</b>	<b>689,598</b>	<b>195,356</b>	<b>325,601</b>	<b>678,562</b>	<b>215,201</b>	<b>332,083</b>

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

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**7. Departmental Budgetary Expenditures by Standard Object (unaudited)**

*(in thousands of dollars)*

	Fiscal Year 2012-2013			Fiscal Year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended September 30, 2012	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year-to-date used at quarter-end
<b><u>Expenditures</u></b>						
Personnel	18,711	5,819	10,536	19,568	4,842	9,669
Transportation and communications	1,461	129	423	1,518	188	392
Information	430	53	66	532	41	73
Professional and special services	4,607	440	898	4,108	669	1,124
Rentals	206	20	47	246	38	54
Repair and maintenance	595	52	205	334	110	237
Utilities, materials and supplies	150	25	27	169	51	51
Acquisition of machinery and equipment	1,085	297	329	402	64	142
Transfer payments	662,353	188,521	313,070	651,685	209,198	320,341
<b><u>Total Budgetary Expenditures</u></b>	<b>689,598</b>	<b>195,356</b>	<b>325,601</b>	<b>678,562</b>	<b>215,201</b>	<b>332,083</b>