

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

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

1. Introduction

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2020–21 [Estimates](#). This report has not been subject to an external audit or review.

1.1 Authority, mandate and programs

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting post-secondary students and postdoctoral fellows in their advanced studies, funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

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

1.2 Basis of presentation

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying statement of authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates for the fiscal year 2020–21. 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 the Government of Canada can spend money. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

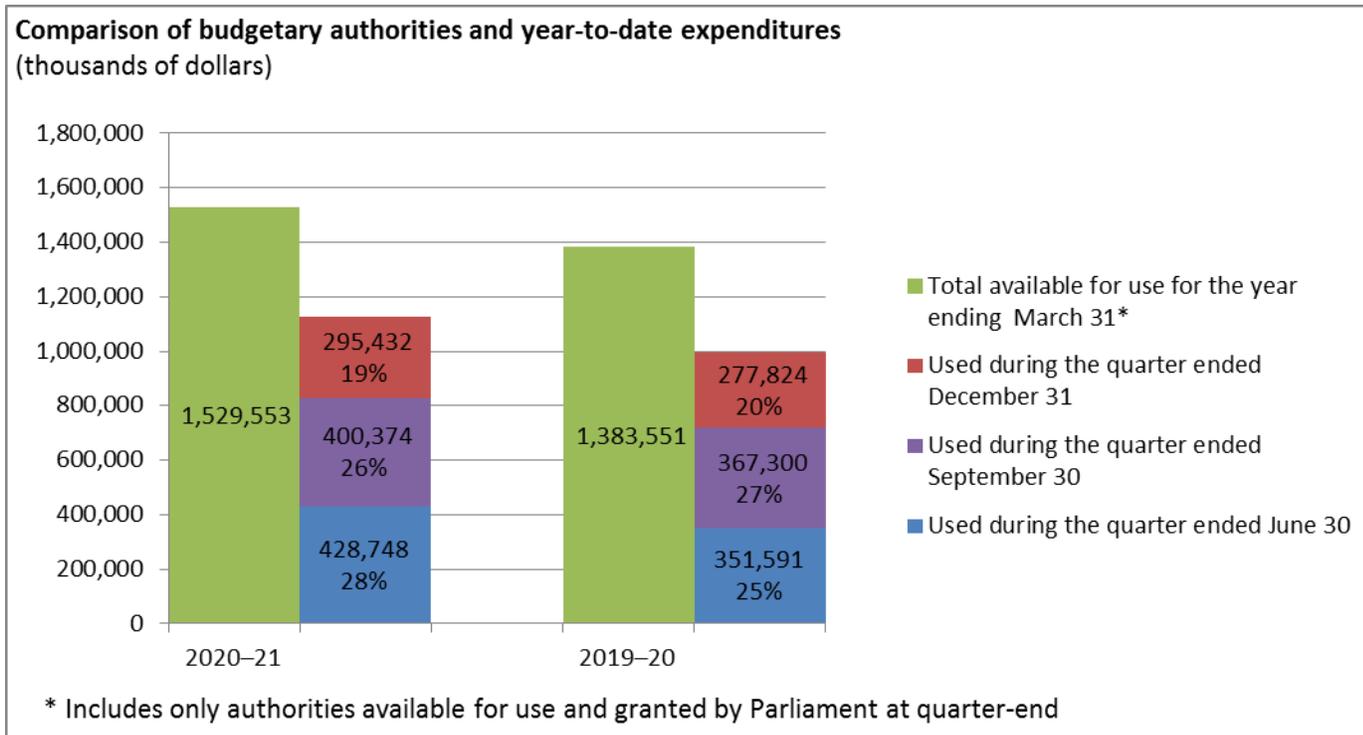
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date and quarterly expenditures compared with the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for the fiscal year 2020–21 and the fiscal year 2019–20.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020



2.1 Significant changes to budgetary authorities

As of December 31, 2020, NSERC's total available authorities for the fiscal year 2020-21 amounted to \$1.53 billion. This represents an overall increase of \$146.0 million (10.6%) from the comparative period in the previous year. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include:

- an increase of \$153.4 million from the Public Health Events of National Concern Payments Act (PHENCPA) to support students and youth affected by COVID-19 as well as research institutes and universities;
- an increase of \$11.8 million from Budget 2018 for fundamental research;
- a net decrease of \$11.0 million from Budget 2018 for the Canada Research Chairs program;
- a decrease of \$8.4 million for the Centres of Excellence for Commercialization and Research due to sunsetting of the program;
- a net decrease of \$6.9 million for the Colleges and Community Innovation program suite (due mainly to a \$4.5 million transfer to SSHRC);
- a decrease of \$5.7 million for the Business-led Networks of Centres of Excellence program due to sunsetting of the program;
- an increase of \$5.0 million from the Public Health Agency of Canada for the Emerging Infectious Diseases Modelling (EIDM) initiative;
- an increase of \$4.6 million from Environment and Climate Change Canada for the Zero Plastics initiative;
- a net increase of \$4.0 million for various transfers to and from partnering departments;
- a decrease of \$3.7 million for the Networks of Centres of Excellence due to sunsetting of the program; and

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

- an increase of \$2.3 million from Budget 2019 for coverage of the expanded duration of paid parental leave.

2.2 Significant changes to authorities used

Year-to-date spending

The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

Year-to-date budgetary expenditures used at quarter end

(millions of dollars)

	2020–21	2019–20	Variance
Vote 1—Operating expenditures			
Personnel	35.9	35.7	0.2
Non-personnel	6.6	8.6	(2.0)
Vote 5—Grants and scholarships	1,082.0	952.4	129.6
Total budgetary expenditures	1,124.5	996.7	127.8

Total budgetary expenditures amounted to \$1.12 billion at the end of the third quarter of the fiscal year 2020–21, compared to \$996.7 million reported in the same period in the previous fiscal year.

Grants and scholarships

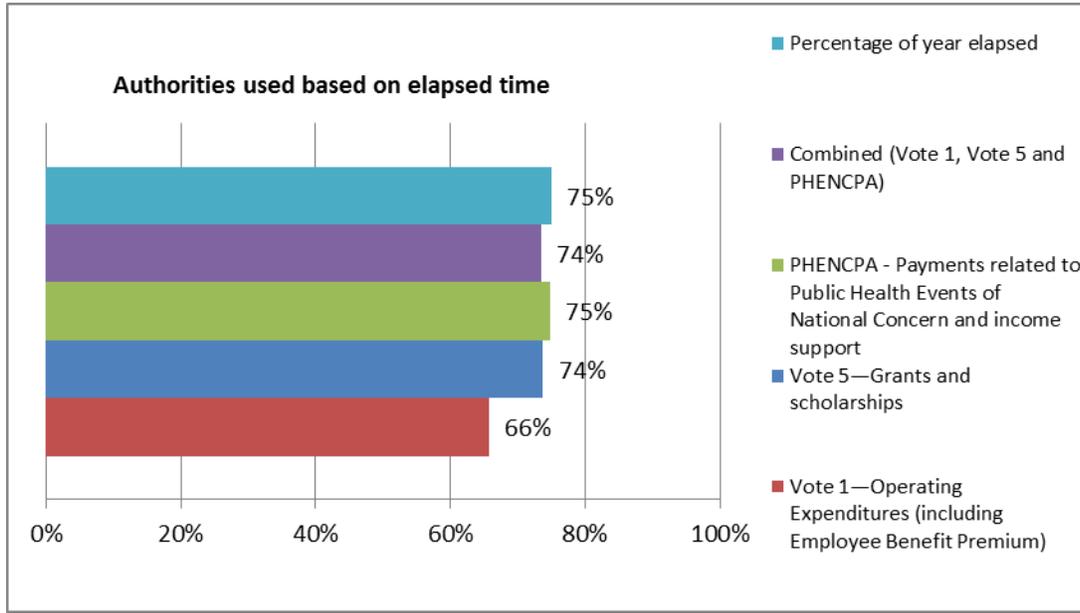
At the end of the third quarter of 2020–21, the grant and scholarship expenses increased by \$129.6 million, compared to those reported in the same period of the previous fiscal year. The increase is mainly due to spending of \$113.7 million received from the PHENCPA to support students and youth affected by COVID-19 as well as research institutes and universities.

Operating expenditures

The personnel expenditures at the end of the third quarter of 2020–21 are in line with those of the previous year.

Total non-personnel expenditures have decreased by \$2.0 million, mainly in transportation costs and acquisition of equipment. Transportation costs have significantly decreased as a result of travel restrictions related to COVID-19, which have affected the amount of travel for both public servants and non-public servants. Acquisition of equipment has also decreased as a result of major capital investment undertaken by NSERC last fiscal year to upgrade its computer equipment.

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020**



The total authorities used at the end of the third quarter (\$1.12 billion) of the fiscal year 2020–21 represent 74% of total available authorities (\$1.53 billion).

Quarterly spending

The total authorities used during the third quarter of 2020–21 amounted to \$295.4 million (19% of the total available authorities; 21% of the total authorities for grant and scholarship programs; and 24% of the total authorities for operating expenditures and employee benefits).

Budgetary expenditures used during the third quarter

(millions of dollars)

	2020–21	2019–20	Variance
Vote 1—Operating expenditures			
Personnel	12.1	11.6	0.5
Non-personnel	2.8	3.1	(0.3)
Vote 5—Grants and scholarship	280.5	263.2	17.3
Total budgetary expenditures	295.4	277.9	17.5

Grants and scholarships

Transfer payments represent 96% of NSERC’s available authorities. Variances in transfer payments stem from the nature of program cycles. During the third quarter of 2020–21, NSERC’s transfer payment expenditures increased by \$17.3 million compared to the same quarter of the previous fiscal year, as a result of the following:

- a net increase of \$41.0 million due to timing differences on payments;
- a decrease of \$21.6 million due to the sunsetting of most Research Partnerships programs, which is partially offset by spending on the new Alliance program; and
- a net decrease of \$2.4 million due to the sunsetting of the suite of Networks of Centres of Excellence programs.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

Operating expenditures

Personnel expenditures for the third quarter of fiscal year 2020–21 have increased by \$0.5 million compared to the same period in 2019–20. This increase is mainly due to COVID-19-related circumstances significantly increasing workload for the virtual delivery of grants competitions, the development of new initiatives to fund interdisciplinary research and IT staffing to support new business capabilities.

Non-personnel expenditures have decreased by \$0.3 million, mainly due to COVID-19-related circumstances significantly reducing spending on transportation and professional services. This decrease was partially offset by an increase in acquisition costs of office equipment as a result of NSERC's continuous efforts to upgrade its technology and tools.

3. Risks and uncertainties

In light of COVID-19, NSERC is reassessing priorities in order to reallocate resources in response to emerging pressures. As the situation evolves, the organization will continue to monitor key commitments and ongoing activities, to ensure that human and financial resources are available to deliver on high-priority activities.

COVID-19 has added new pressures on NSERC operations, including delivery of new programs or management of existing programs, and has affected major corporate initiatives, such as the Tri-agency Grants Management Solution and GC Workplace. Managing the move to a remote work environment for all staff has been a priority for the organization, to ensure the safety and security of employees as well as to maintain core business operations.

NSERC made substantial progress in preparing and equipping employees for the organization's transition to GC Workplace at our new office location (anticipated for 2021). Specifically, NSERC rolled out mobile work tools (e.g., tablets, iPhones, remote access keys) and processes (e.g., Digital Authorization Directive). NSERC also engaged with Public Services and Procurement Canada to plan our future physical space, providing information gathered through employee consultation.

There is a risk that NSERC may not be able to ensure continuity of all business operations during the COVID-19 pandemic and subsequent recovery period. The work conditions, tools, and processes will be adjusted to ensure the continuity of operations, while considering the health and safety of our staff a top priority. There is also pressure to deliver initiatives for COVID-19 along with core programs. To mitigate this risk, NSERC will review the merit review process in the context of COVID-19 in order to prepare alternative solutions for holding adjudication meetings, should social distancing measures and travel limitations still be in effect for 2021–22 funding opportunities.

4. Significant changes related to operations, personnel and programs

NSERC is partnering with Mitacs through the College and Community Innovation (CCI) program to expedite applied, research-based solutions that leverage the highly qualified personnel (HQP)—students and/or postdoctoral fellows—of Canada's colleges, CEGEPs and polytechnics. For the first time, those

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

applying for an Applied Research and Development (ARD) grant can also apply for additional support through Mitacs Accelerate for colleges, CEGEPs and polytechnics to include internships as a component of the training of HQP. This expedited access to funding enables researchers to more rapidly develop answers to today's challenges ranging from COVID-19 and global pandemics to global warming.

NSERC launched the Emerging Infectious Diseases Modelling (EIDM) initiative, a collaboration between NSERC and the Public Health Agency of Canada. NSERC is providing \$10 million over two years to establish multidisciplinary networks of specialists across Canada for modelling emerging infectious diseases to be applied to public needs associated with pandemics such as COVID-19. This initiative recognizes NSERC's key role in mobilizing mathematical sciences and public health to tackle pandemic challenges, and it is expected that a permanent, world-class pandemic modelling surveillance network will emerge as an outcome of this seed funding.

NSERC announced the launch of the NSERC Donna Strickland Prize for Societal Impact of Natural Sciences and Engineering Research and the Arthur B. McDonald Fellowships. Valued at \$250,000, the NSERC Donna Strickland Prize will be awarded annually to an individual or team whose outstanding research has led to exceptional benefits for Canadian society, the environment and/or the economy. The Arthur B. McDonald Fellowships recognize early-stage academic researchers in the natural sciences and engineering, and support them to enhance their research capacity so that they can become global leaders in their field. Worth \$250,000 over two years, these awards were previously known as the E.W.R. Steacie Memorial Fellowships.

Work has begun on the strategic planning process, which will lead to NSERC's next long-term strategic plan, NSERC 2030. The Strategic Planning team, led by the Associate Vice-President, Strategy and Transformation, is in the process of developing an engagement plan for activities in 2021.

NSERC has appointed its first Chief Data Officer. This is another step in ensuring that NSERC becomes increasingly data-driven in all of its processes and operations.

Approved by:

Original signed by:

Dr. Alejandro Adem
President

Original signed by:

Patricia Sauvé-McCuan
Vice-President and
Chief Financial Officer, NSERC

Ottawa, Canada
March 1, 2021

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

5. Statement of authorities (unaudited)

	Fiscal year 2020–21			Fiscal year 2019–20		
	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	Total available for use for the year ending March 31, 2020*	Used during the quarter ended December 31, 2019	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Operating expenditures	57,141	13,521	37,204	55,851	13,162	39,791
Vote 5—Grants and scholarships	1,313,079	280,473	968,388	1,321,516	263,167	952,438
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,754	1,438	4,105	6,005	1,495	4,486
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Payments related to Public Health Events of National Concern and income support	153,400	-	114,858	-	-	-
Total budgetary authorities	1,529,553	295,432	1,124,555	1,383,551	277,824	996,715

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

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2020

6. Departmental budgetary expenditures by standard object (unaudited)

	Fiscal year 2020–21			Fiscal year 2019–20		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended December 31, 2020	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended December 31, 2019	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<u>Expenditures</u>						
Personnel	46,830	12,121	35,893	46,133	11,578	35,690
Transportation and communications	4,620	112	247	4,795	714	1,680
Information	1,490	234	491	2,121	157	449
Professional and special services	7,859	1,524	4,253	5,875	1,827	4,432
Rentals	1,111	419	948	1,384	331	1,021
Repair and maintenance	156	45	68	239	19	95
Utilities, materials and supplies	164	100	110	192	(9)	77
Acquisition of land, buildings and works	64	-	-	-	1	1
Acquisition of machinery and equipment	1,980	404	500	1,296	39	833
Other subsidies and payments	-	-	-	-	-	(1)
Transfer payments	1,465,279	280,473	1,082,045	1,321,516	263,167	952,438
Total budgetary expenditures	1,529,553	295,432	1,124,555	1,383,551	277,824	996,715