

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended June 30, 2023

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Statement outlining the 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 2023–24 [Main Estimates](#) and [Supplementary Estimates \(A\)](#). 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 Main 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 and Supplementary Estimates (A) for the fiscal year 2023–24. 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.

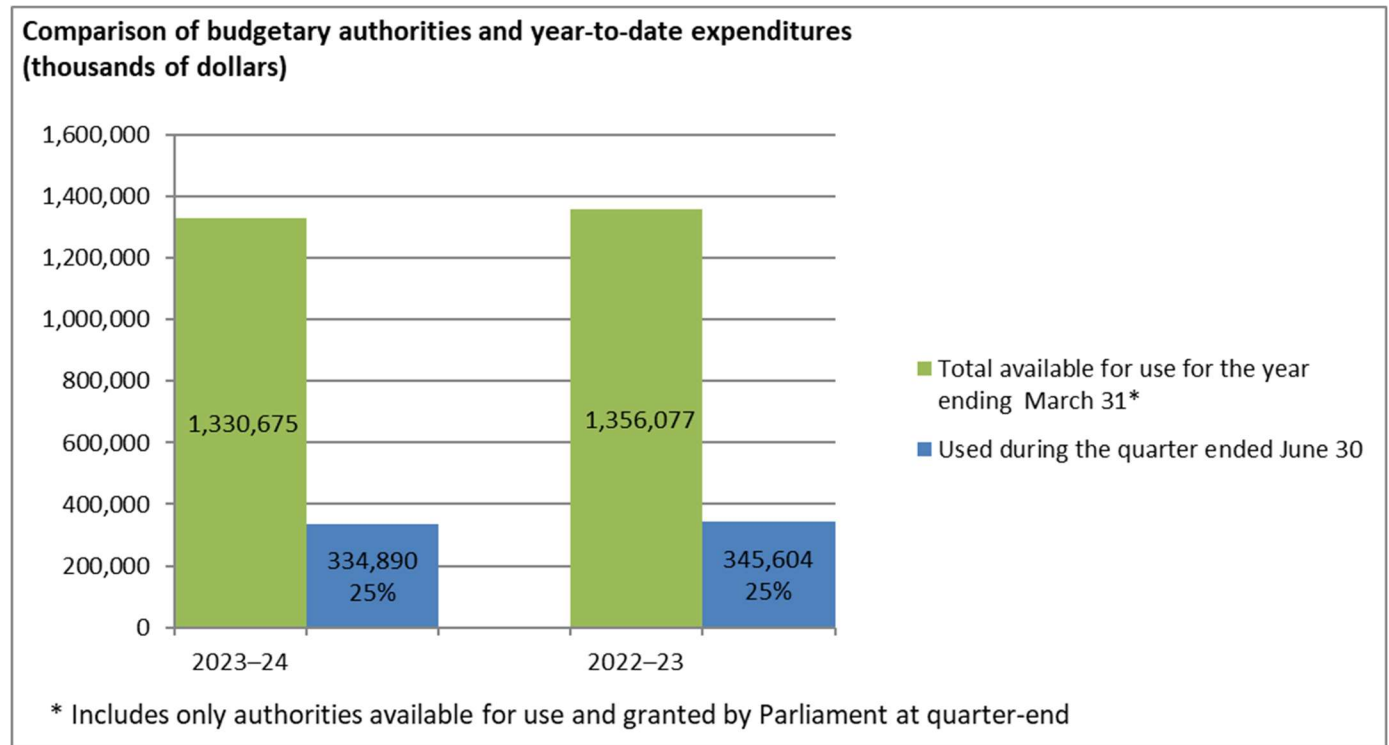
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted on by Parliament remain on an expenditure basis.

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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 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 2023–24 and the fiscal year 2022–23.



2.1 Significant changes to budgetary authorities

As of June 30, 2023, NSERC’s total available authorities for the fiscal year 2023–24 amounted to \$1.331 billion. This represents an overall decrease of \$25.4 million (1.9%) from the same period in the previous year. It should be noted that NSERC will pursue renewal of sunseting funding where appropriate. The major changes in NSERC’s budgetary authorities between the current and previous fiscal years include the following:

- a decrease of \$24.2 million in grants and \$1.1 million in the operating fund for the sunseting College and Community Innovation program
- a decrease of \$12.0 million from the 2015–16 Canada First Research Excellence Fund competition
- an increase of \$11.2 million for grants and scholarships to implement several Budget 2021 measures: launching the National Quantum Strategy, supporting academic research on small modular reactors, and delivering Discovery Grant Supplements
- a decrease of \$10.9 million related to the gradual transfer of 2 programs (the Centres of Excellence for Commercialization and Research, and the Business-Led Networks of Centres of Excellence) to

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ISED under the Strategic Innovation Fund, as per the Budget 2018 announcement, which also included sunsetting the Networks of Centres of Excellence program

- an increase of \$10.4 million for the Canadian post-secondary institutions that were successful in the 2022 Canada Excellence Research Chairs competition
- an increase of \$1.5 million for the adjusted distribution of the Canada Graduate Scholarships between the 3 granting agencies
- an increase of \$1.0 million in operating funds and \$1.0 million in grants, as announced in Budget 2022, to support university researchers developing technologies and crop varieties that will allow for net-zero emission agriculture
- a decrease of \$0.98 million in operating funds due to sunsetting of the Equity, Diversity and Inclusion initiative from Budget 2018

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)

Vote 1—Operating expenditures

Personnel (includes contributions to EBP)

	2023–24	2022–23	Variance
Personnel (includes contributions to EBP)	13.3	13.1	0.2
Non-personnel	0.9	1.6	(0.7)
Vote 5—Grants and scholarships	320.7	330.9	(10.2)
Total budgetary expenditures	334.9	345.6	(10.7)

Non-personnel

0.9 1.6 (0.7)

Vote 5—Grants and scholarships

320.7 330.9 (10.2)

Total budgetary expenditures

334.9 345.6 (10.7)

Total budgetary expenditures amounted to \$334.9 million at the end of the first quarter of fiscal year 2023–24, compared to \$345.6 million reported in the same period in the previous fiscal year.

Grants and scholarships

At the end of the first quarter of 2023–24, grant and scholarship expenses decreased by \$10.2 million compared to those reported in the same period of the previous fiscal year. The decrease in spending corresponds to 2 factors: first, there were decreases in the budgetary authorities for the Canada First Research Excellence Fund, the College and Community Innovation program, the Networks of Centres of Excellence, the Centres of Excellence for Commercialization and Research, and the Business-Led Networks of Centres of Excellence programs. Second, there was the timing of other award payments.

Operating expenditures

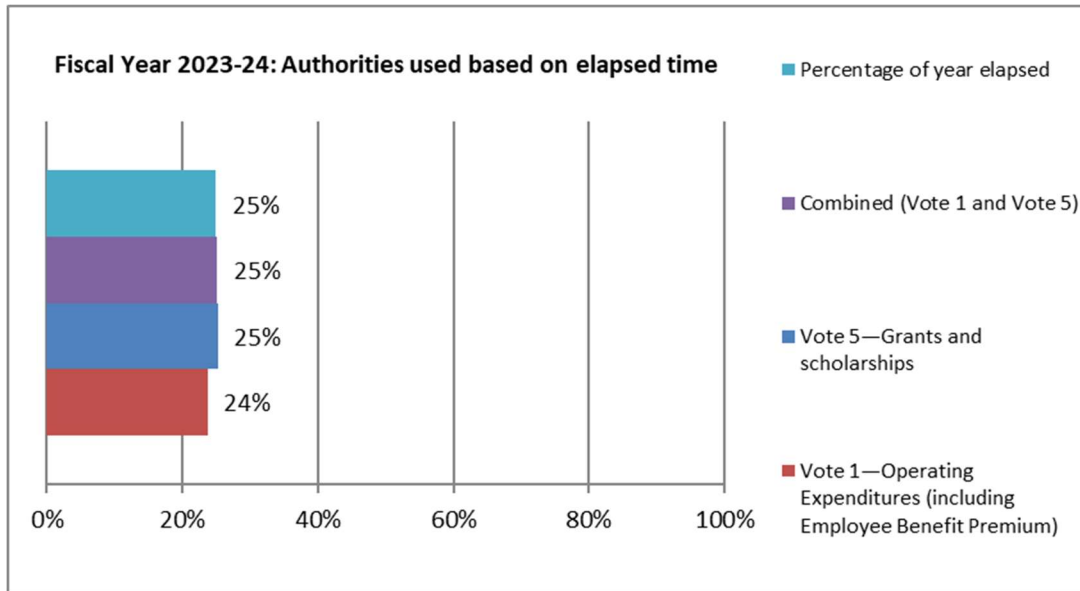
Personnel expenditures, which include contributions to employee benefit plans, have remained largely in line with the comparative period of the previous fiscal year.

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Total non-personnel expenditures as of the first quarter of fiscal year 2023–24 have decreased by \$0.7 million compared to the same period of the previous year. There was a decrease in the acquisition of machinery and equipment related to the workplace renewal project; a decrease in rentals expenditures related to servers and application software; professional and special services due to lower usage of management consulting services; and information expenditures due to a decrease in electronic subscriptions and publications. Please see the Departmental budgetary expenditures by standard object table in section 6 for additional details.



The total authorities used at the end of the first quarter (\$334.9 million) of the fiscal year 2023–24 represent 25% of total available authorities (\$1.331 billion).

3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile that includes key risks along with risk levels and mitigation activities. NSERC has linked corporate risk management with its integrated planning process to ensure greater cohesion and executive oversight in the delivery of its mandate.

The 2023–24 risk assessment exercise provided the level of insight required to properly respond to risk, through the allocation of resources, both human and financial, and through the prioritization of activities. Senior management closely monitors the following three key risks for 2023–24:

- i. Inadequate legacy IT landscape unable to support agency’s needs – The risk that NSERC’s legacy, unreliable, inflexible technology landscape (applications, infrastructure) will be unable to respond to the Agency’s current & evolving business needs, protect against cyber threats, and address the needs of the Canadian Research Community.
- ii. Financial/resources management – The risk that multiple organizational pressures combined with external factors and funding compressions will stretch the organization’s limited resources

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(financial, human, technological) and impede NSERC's capacity to efficiently allocate resources to support core activities, priority or emerging needs.

- iii. Inability to implement transitions and adapt to change – There is a risk that NSERC will not be able to effectively manage, and respond to, change and transformation in a rapidly evolving and demanding environment, including the adoption of a new hybrid work model, and the continuing addition of new priorities, imposed by factors both internal and external.

4. Significant changes related to operations, personnel and programs

In March 2023, the Advisory Panel on the Federal Research Support System's report was publicly released. As the Ministers consider the recommendations of the Panel, the three federal granting agencies remain committed to working in close collaboration, and with our partners in government and other key stakeholders, to support research excellence across all disciplines, and strengthen the impact of Canada's research capacity for the benefit of Canadians in accordance with our legislated mandates and operational responsibilities. The Panel, comprised of leaders in the science, research and innovation ecosystem, was convened to provide independent, expert policy advice on the structure, governance and management of the federal system supporting research and talent, including the relationship among the federal research funding agencies and the relationship between these agencies and the Canada Foundation for Innovation (CFI).

On April 18, 2023, the Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry, announced an investment of close to \$51 million awarded to 75 recipients through the Natural Sciences and Engineering Research Council of Canada's (NSERC) Alliance grants and Collaborative Research and Training Experience (CREATE) grants. They will enhance Canada's quantum capabilities through domestic and international research collaborations.

On April 24, 2023, the Honourable François Philippe Champagne, Minister of Innovation, Science and Industry, alongside Sylvie Retailleau, French Minister of Higher Education and Research, announced the creation of a joint committee between Canada and France to help strengthen the long-standing partnership between Canada and France in science, technology and innovation (STI). The committee will encourage the identification of thematic priorities for Franco-Canadian cooperation in STI and promote new opportunities for Canadian and French researchers and innovators to work together to find evidence-based solutions to global challenges.

On April 27, 2023, the Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry, awarded ten postsecondary institutions Dimensions recognitions, acknowledging their work to address equity, diversity and inclusion (EDI) in their research environment. The program includes four stages of recognition intended to reflect the journey of carrying out EDI work and achieving success. The ten recipients are receiving recognitions for the first 2 stages.

Budget 2023 proposed to reduce spending on consulting, other professional services, and travel by roughly 15 per cent of planned 2023-24 spending by 2024-25, beginning in 2023-24, and eligible departments and agencies spending by 3 per cent by 2026-27, beginning in 2024-25. NSERC is revising its spending plans in light of this information, and in alignment with the guidance provided by the Treasury Board Secretariat and the Department of Finance.

NSERC implemented a common hybrid work model to work remotely up to three days per week (i.e., a minimum of two days per week onsite). Recognizing that the building and technology readiness at NSERC's

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new headquarters are not yet optimal, an extended period of time was taken to reintegrate to work on site as well as a gradual approach to returning to the workplace on a regular basis, in a hybrid fashion, with a full implementation by the end of June. This approach gave time for experimenting with different models of work and adapting to the technology and space.

On April 1st, 2023 NSERC transitioned away from Freebalance, its previous financial system, to a new system named “System Applications and Products in Data Processing (widely known as SAP)”. NSERC has joined a cluster of other government departments that are hosted and serviced on SAP by the Treasury Board Secretariat (TBS).

Approved by:

Prof. Alejandro Adem, FRSC
President

Dominique Osterrath
Vice-President and
Chief Financial Officer

Ottawa, Canada
August 29, 2023

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5. Statement of authorities (unaudited)

	Fiscal year 2023–24			Fiscal year 2022–23		
	Total available for use for the year ending March 31, 2024*	Used during the quarter ended June 30, 2023	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2023*	Used during the quarter ended June 30, 2022	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Operating expenditures	53,030	12,575	12,575	54,351	13,149	13,149
Vote 5—Grants and scholarships	1,270,836	320,707	320,707	1,295,369	330,916	330,916
Budgetary statutory authorities						
Contributions to the employee benefit plan	6,606	1,608	1,608	6,154	1,539	1,539
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	203	-	-	203	-	-
Total budgetary authorities	1,330,675	334,890	334,890	1,356,077	345,604	345,604

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

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6. Departmental budgetary expenditures by standard object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023–24			Fiscal year 2022–23		
	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended June 30, 2022	Year-to-date used at quarter-end
Expenditures						
Personnel	49,573	13,276	13,276	47,182	13,126	13,126
Transportation and communications	753	76	76	412	59	59
Information	1,171	40	40	4,371	134	134
Professional and special services	5,154	565	565	6,915	694	694
Rentals	1,388	180	180	1,066	366	366
Repair and maintenance	122	3	3	96	54	54
Utilities, materials and supplies	242	38	38	72	55	55
Acquisition of machinery and equipment	1,436	5	5	594	200	200
Transfer payments	1,270,836	320,707	320,707	1,295,369	330,916	330,916
Total budgetary expenditures	1,330,675	334,890	334,890	1,356,077	345,604	345,604