

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
Statement outlining results, risks and significant changes
in operations, personnel and programs
For the quarter ended June 30, 2011

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 purpose is to promote and assist research and scholarship in the social sciences and humanities. Social sciences and humanities research builds knowledge about people in the past and present, with a view toward creating a better future, by:

- Supporting post-secondary 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 2011-2012](#).

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 2011-2012 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 moneys 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.

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 and Fiscal Year to Date Results

Statement of Authorities

Available Authorities

SSHRC manages program authorities of \$651 million, \$322.4 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).

As of June 30, 2011, SSHRC's total available authorities for 2011-2012 amount to \$678 million. The changes in available authorities are the result of previous federal budget announcements that impact both the operating authorities (vote 90), and the grants and scholarships program authorities (vote 95) in the current fiscal year. To date, for 2011-2012, these changes resulted in an increase in total authorities of \$3.2 million (0.5%) over the prior year. Included in this amount were a \$3.5 million increase in Grants and Scholarships Programs, and a \$250,000 net decrease in operating expenditures due to the sunsetting of certain funds. These changes in available authorities are comprised of the following elements:

- An increase of \$8.0 million in the Indirect Costs of Research Program to assist Canadian postsecondary institutions by supporting costs of federally funded research conducted on campus across Canada. This program helps researchers concentrate on cutting-edge discoveries and research excellence (*Budget 2010*);
- An increase of \$3.3 million in the Banting Postdoctoral Fellowships Program to attract and retain top-tier postdoctoral talent, both nationally and internationally, to develop their leadership potential and to position them for success as research leaders of tomorrow; all this contributing positively to Canada's economic, social and research-based growth through a research-intensive career (*Budget 2010*);
- An increase of \$3.0 million in grants and scholarships to support world-leading research in the social sciences and humanities (*Budget 2010*);
- A decrease of \$8.2 million in program realignments as per the federal Strategic Review exercise (*Budget 2008*);
- A decrease of \$3.5 million in relation to the Canada Graduate Scholarships Program due to the phasing out of the funding from the federal Economic Action Plan (*Budget 2009*);
- A timing difference for net grant transfers between federal departments in the amount of \$0.6 million made to National Defence to support the Canada Research Chairs (\$140,000) and the Indirect Costs (\$750,000) of federally-funded academic research at the Royal Military College and an amount from Canadian Heritage (\$315,000) for research funding to inform policy development related to sport participation. These transfers took place in the first quarter of 2010-2011 but the current year transfers could not occur in the first quarter of 2011-2012 as Parliament was not in session during the federal election; the equivalent transfers for the current year will take place during subsequent quarters of this fiscal year.

Authorities Used

This departmental QFR reflects the results of the current fiscal period in relation to the 2011-2012 Main Estimates for which full supply was released by Parliament on June 27, 2011.

The total authorities used during the first quarter of 2011-2012 amounted to \$116.9 million (17.3% of the available authorities), \$12.8 million more than at the end of the same quarter in the previous fiscal year, of which \$12.3 million relate to grants and scholarships programs (96% of the increase). The main factors for this increase are the additional program authorities in grants and scholarships (refer to the "Available Authorities" section) and payment timing differences between the comparative quarters.

Grants and scholarship payments vary from period to period due to the cycle and results of the peer-reviewed program competitions as well as the multi-year award profiles. The operating expenditures cover personnel and non-salary expenses required to support the delivery of the Grants and Scholarships Programs. Although the majority of personnel expenditures and operating costs are incurred in a consistent manner throughout the fiscal year, the balance of expenditures, including temporary employees hired for the competition season and travel costs for peer-reviewers, directly occur in conjunction with the program cycle and are demand-driven. As a large proportion of the program competitions occur in the last quarters of the fiscal year, the expenditures in the first quarter are typically less than 25% of the annual operating available authorities.

Statement of Departmental Budgetary Expenditures by Standard Objects

Variation in Amounts Available for Use in 2011-2012

As described in the above "Available Authorities" section, SSHRC's Parliamentary authorities have been increased by \$3.2 million for 2011-2012 to date over the prior year, the bulk of which is attributed to the transfer payment programs (\$3.5 million). SSHRC has also adjusted its operating budget allocations to reflect the historical spending patterns and requirements, increasing the proportion available for personnel expenditures by \$2 million and reducing the other categories of operating expenditures in accordance with current forecasts.

Transfer Payments (Grants and Scholarships)

Transfer payments represent 96% of SSHRC's total available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of the program cycles. During the first quarter of 2011-2012, SSHRC's actual transfer payment expenditures have increased by \$12.3 million over the same quarter of the previous fiscal year. The main factors for this increase are the additional available program authorities, including increased Indirect Costs Program expenditures (\$5 million), as well as payment timing differences. These timing differences account for an increase of \$7.3 million (59.3% of the total increase), and can be explained by two elements. Firstly, the 2011-2012 grant installments were completed by the end of June, whereas, in the previous fiscal year, payments were made in July, and secondly, a proactive management strategy led to an earlier release of scholarship payments in this fiscal year. Accordingly, offsetting variances between fiscal years will exist in the second quarter.

Personnel

Personnel expenditures for program delivery account for the largest proportion of SSHRC's operating expenditures. The personnel expenditures increased by \$272,000 (6%) in comparison to the same period in 2010-2011. The increased expenditures are related to the decreased number of vacant positions and the general increase in wage levels in accordance with the collective agreement.

Non-personnel Operating Expenditures

Non-personnel operating expenditures include all costs related to the support of program delivery, a significant proportion of which is directly incurred in conjunction with the program competitions that predominantly take place during the latter quarters of the fiscal year. Total non-personnel expenditures to date in 2011-2012 are generally consistent with the prior year. Increased expenditures took place during the first quarter of this fiscal year for professional and special services (\$167,000) related to the early initiation of projects requiring professional expertise and assistance, and acquisition of machinery and equipment (\$78,000) for server replacements and hardware components, all of which are mainly due to timing of purchases that did not occur in the comparative period of the previous fiscal year.

3. Risks and Uncertainties

Funding and Program Delivery Risk Factors

SSHRC is funded through annual Parliamentary spending authorities and statutory authorities for program transfer payments and its 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.

SSHRC is a knowledge-based organization and relies on maintaining its talented and committed workforce to deliver its programs. Similarly, SSHRC's delivery model is centered around a peer-review model which is dependent on the availability and high-quality of external experts from across the country and the world who contribute their time and expertise to adjudicate grant proposals and scholarship applicants with the aim of funding excellence for the benefit of Canada. SSHRC's programs are also demand-driven while competing at an international level to attract highly qualified individuals to complete their research or advanced studies at Canadian post-secondary institutions.

Operating Budget Pressures and Constraint Measures

Federal Budgets 2010 and 2011 announced operating budget constraint measures and froze the operating budgets of departments at their 2010-2011 levels for the fiscal years 2011-2012 and 2012-2013. The resulting budgetary pressures along with the impacts of absorbing inflationary costs and salary increases 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. SSHRC is also managing the requirement for the implementation of modernized technology solutions to better support program delivery. Thus far, SSHRC has absorbed these operating pressures through economies of scale harnessed 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, however capacity is strained. An established budgetary process with regular in-year budget reviews and formal reallocations for emerging priorities approved by senior management supports this endeavour. Management is reviewing various options to address future budgetary challenges. SSHRC is also undertaking a revision of its operating and program delivery systems and processes to generate further efficiencies and future savings

4. Significant Changes Related to Operations, Personnel and Programs

Over the course of the previous fiscal year, SSHRC has undertaken a Program Architecture Renewal initiative to create a more flexible and effective system of program application and assessment and maximize the contributions of the social sciences and humanities to Canada's economic prosperity and quality of life. The new program architecture has placed an emphasis on impacts, fostering partnerships, a focus on priorities and reporting on results. This has resulted in greater overall program coherence, with flexible programming, a more responsive competition cycle and an improved and simplified interface for applicants. The implementation of the Program Architecture Renewal is currently underway. This implementation allows for the consolidation of existing programs under umbrella funding opportunities. It also allows for service delivery and process re-engineering. These implications will evolve over the years to come. Other than the impacts of the Program Architecture Renewal, SSHRC's increased available authorities resulting in expanded program dimensions as well as the influence of the continuing implementation of government-wide operating budget constraint measures, there were no other important changes in the current quarter related to operations, personnel or programs in comparison with the previous fiscal year. However, the federal Budget 2011 tabled in June included funding announcements with expanded program dimensions that will be implemented by SSHRC over the course of the fiscal year following Treasury Board approvals.

Approved by:

Originally signed by:

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

Originally signed by:

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

August 25, 2011

**Social Sciences and Humanities Research Council of Canada
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Statement of Authorities (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended June 30, 2011	Year to date used at quarter-end	Total available for use for the year ending March 31, 2011*	Used during the quarter ended June 30, 2010	Year to date used at quarter-end
Vote 90 – Net Operating Expenditures	22,934	5,007	5,007	23,653	4,618	4,618
Vote 95 – Grants & Contributions	651,685	111,143	111,143	648,190	98,869	98,869
Budgetary Statutory Authorities – Employee Benefit Plans	2,929	732	732	2,500	625	625
Total Budgetary Authorities	677,548	116,882	116,882	674,343	104,112	104,112
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	677,548	116,882	116,882	674,343	104,112	104,112

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

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Departmental Budgetary Expenditures by Standard Object (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end
<u>Expenditures</u>						
Personnel	19,204	4,827	4,827	17,208	4,555	4,555
Transportation and communications	1,383	204	204	1,825	193	193
Information	485	32	32	630	37	37
Professional and special services	3,743	455	455	5,034	288	288
Rentals	224	16	16	213	30	30
Repair and maintenance	304	127	127	307	136	136
Utilities, materials and supplies	154	-	-	216	4	4
Acquisition of machinery and equipment	366	78	78	720	0	0
Transfer payments	651,685	111,143	111,143	648,190	98,869	98,869
Total Budgetary Expenditures	677,548	116,882	116,882	674,343	104,112	104,112