

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 September 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 2011-12](#).

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 2011-12 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.

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 total authorities of \$678.6 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 September 30, 2011, SSHRC's total authorities available for 2011-12 amounted to \$678.6 million. The changes in total available authorities are the result of previous federal budget announcements and Treasury Board decisions that impact both the operating authorities (vote 90), and the grants and scholarships program authorities (vote 95) in the current fiscal year. In addition, SSHRC is authorized to transfer up to 5% of its operating budget (vote 90) to the next fiscal year (representing a \$1.0 million carry-forward from 2010-11 to 2011-12). 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 2011-12, these cumulative changes resulted in an increase in total authorities of \$3.1 million (0.45%) over the prior year. This net increase in total authorities is attributable to a \$3.5 million increase in grant and scholarship authorities (vote 95) for expanded programs, which was offset by a \$427,000 net decrease in operating expenditures and employee benefit plans authorities due to the sunsetting of certain funding, and 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 \$8.0 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 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 of which contributes 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 to the Canada Graduate Scholarships Program due to the phasing out of funding from the federal Economic Action Plan (*Budget 2009*);
- a timing difference for net grant transfers between federal departments in the amount of \$575,000 made to National Defence to support the Canada Research Chairs (\$140,000) program 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 on the topic of 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 2011-12 as Parliament was not in session during the federal election. Therefore, the equivalent transfers for the current year will take place during the third quarter of this fiscal year; and
- a decrease in the amount of the operating budget carry-forward over the prior year. The amount of carry-forward in 2010-11 was \$1.15 million in comparison to \$1.01 million in 2011-12. This decrease is due to the reduction of the operating budget carry-forward limit due to the sunsetting of certain operating funding.

Authorities Used in Second Quarter

This departmental QFR reflects the results of the current fiscal period in relation to the 2011-12 Main Estimates for which full supply was released by Parliament on June 27, 2011, and the carry-forward of operating funds from 2010-11 to 2011-12 that was approved on August 19, 2011.

The total authorities used during the second quarter of 2011-12 amounted to \$215.2 million (31.7% of the total available authorities). This represents a \$19.8 million decrease from the same quarter in the previous fiscal year (\$20.2 million net decrease in authorities used for grant and scholarship expenditures, offset by a \$0.4 million increase in authorities used for operating and employee benefit plan expenditures). The decrease in grant and scholarship expenditures is a result of payment timing differences between the first and second quarters of the comparative fiscal year, which will offset each other due to their nature. The increase in authorities used for operating and employee benefit plans over the second quarter of the previous year is mainly related to the additional personnel spending to support the delivery of an increased program base.

Grant and scholarship payments vary from period to period due to the cycle and results of the peer-reviewed program competitions as well as the multiyear 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 employee benefit plans are accounted 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 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 quarters of the fiscal year, the expenditures in the second quarter are typically less than 25% of the annual operating available authorities.

Authorities Used Year-to-Date

Total authorities used cumulatively during the first half of the fiscal year of 2011-12 represented \$332.1 million (48.9% of the available authorities) representing a \$7 million decrease from the same period in

the previous fiscal year. This variance comprises a \$7.9 million decrease in grant and scholarship expenditures offset by a \$0.9 million increase in operating and employee benefit plan expenditures. The main factors for the decrease in grant and scholarship expenditures are payment timing differences between the two comparable periods, due to increased outstanding mid-term progress reports required for the release of the next grant installments in comparison with the prior fiscal year. As a result, the proportion of grant and scholarship authorities used in the first half of the fiscal year dropped slightly from 50.6% in 2010-11 to 49.2% in the current fiscal year.

The increase in authorities used in the first half of the fiscal year for operating and employee benefit plan expenditures is mainly due to schedule variances in operating projects that created timing differences in operating expenditures between comparative fiscal periods. To date, SSHRC spent 44% of its operating and employee benefit plans authorities in the first half of the current fiscal year compared to 40% in 2010-11.

Statement of Departmental Budgetary Expenditures by Standard Objects

Variation in Amounts Available for Use in 2011-12

As described in the Available Authorities section, SSHRC's total Parliamentary authorities have increased by \$3.1 million for 2011-12 over the prior year, which can be attributed to the increase in transfer payment (grants and scholarships) programs authorities (\$3.5 million) and a net decrease in operating and employee benefit plan authorities (\$427,000). 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 Expenditures (Grants and Scholarships)

Second Quarter 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 second quarter of 2011-12, SSHRC's actual transfer payment expenditures have decreased by \$20.2 million over the same quarter of the previous fiscal year. The main factor of this decrease is payment timing differences between comparative quarters. The majority of the payment timing differences (\$12.3 million or 60.9% of the total) are due to grant installments for some programs that were paid in June this year while the equivalent payments were made in July in the previous fiscal year. The impacts of these payment timing differences have offset each other by the end of the second quarter. The balance of the payment timing differences relate to the outstanding progress reports at the end of September 2011 which are required before the grant installments can be paid. The increase in outstanding progress reports in the current fiscal year, which reduced the release of payments in comparison with the same period in the prior fiscal year, is mainly due to the requirement for mid-term progress reports for certain programs such as the Strategic Research Clusters which were not required in the comparative period of the prior fiscal year due to the multi-year nature of this program. These progress report payment timing differences will be offset through the balance of the fiscal year.

Year-to-Date Grants and Scholarships

At the end of the first half of the year, SSHRC spent \$7.9 million less than what was spent at the same point in the last fiscal year (2.4% decrease over the prior year). The main causes for this decrease are the delayed payments for certain outstanding progress reports for the Indirect Costs Program and the outstanding mid-term progress reports for the Strategic Research Clusters at the end of September 2011.

Personnel Expenditures

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's operating expenditures (approximately 73% of operating authorities for 2011-12). The personnel expenditures increased by \$207,000 (4%) compared to the same period in 2010-11 and by \$479,000 (5%) cumulatively in the first half of the year. 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 other operating costs related to the support of program delivery, a significant proportion of which relate to program competitions that predominantly take place during the latter quarters of the fiscal year. Total non-personnel expenditures to date in 2011-12 are generally consistent with the prior year. For the first half of the year, the non-personnel operating expenditures increased over the same period of the prior year by \$470,000 (29%). The increase is mainly in professional and special services (\$163,000) and the acquisition of machinery and equipment (\$138,000), representing 27% of the total increase to date and relates to the early initiation of projects requiring professional expertise and payment timing differences. Personnel and non-personnel operating expenditures must be funded from the established net operating expenditures authorities available for 2011-12. As such, timing differences will be offset by the end of the 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 (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 by 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. To retain its valuable human resources and their corporate memory, SSHRC has developed a People 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.

Similarly, SSHRC's delivery model is centered on 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 review grant and scholarship applications 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 postsecondary institutions.

Operating Budget Pressures and Constraint Measures

Federal *Budget 2010* and *Budget 2011* announced operating budget constraint measures and froze the operating budgets of federal departments and their agencies at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The resulting budgetary pressures include the self-financing of inflationary costs and annual salary increases requiring internal reductions and reallocation measures for an estimated amount of \$0.86 million. 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. SSHRC is also managing the requirement for the implementation of modernized technology solutions to better support program delivery. SSHRC has developed an Information Technology Strategic Plan to sustain its technological capacities within a reasonable and restricted budget.

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 endeavor. Management is reviewing various options to address future budgetary challenges. SSHRC is also undertaking a revision of its operating and grant 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 to 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, 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 and new funding opportunities under umbrella programs. 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 additional program dimensions that will be implemented by SSHRC over the course of the fiscal year following Treasury Board and Parliament approvals.

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended September 30, 2011 (unaudited)

Approved by:

Originally signed by:

Chad Gaffield, PhD, FRSC
President, SSHRC

November 16, 2011

Originally signed by:

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Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal Year 2011-12			Fiscal Year 2010-11		
	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	Total available for use for the year ending March 31, 2011*	Used during the quarter ended September 30, 2010	Year-to-date used at quarter-end
Vote 90 – Net Operating Expenditures	23,948	5,271	10,278	24,804	5,025	9,643
Vote 95 – Grants & Contributions	651,685	209,198	320,341	648,190	229,367	328,236
Budgetary Statutory Authorities – Employee Benefit Plans	2,929	732	1,464	2,500	625	1,250
Total Budgetary Authorities	678,562	215,201	332,083	675,494	235,017	339,129
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	678,562	215,201	332,083	675,494	235,017	339,129

* 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 2011-12			Fiscal Year 2010-11		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year-to-date used at quarter-end
<u>Expenditures</u>						
Personnel	19,568	4,842	9,669	17,208	4,635	9,190
Transportation and communications	1,518	188	392	2,060	130	323
Information	532	41	73	711	82	119
Professional and special services	4,108	669	1,124	5,682	673	961
Rentals	246	38	54	240	20	50
Repair and maintenance	334	110	237	346	89	225
Utilities, materials and supplies	169	51	51	244	17	21
Acquisition of machinery and equipment	402	64	142	813	4	4
Transfer payments	651,685	209,198	320,341	648,190	229,367	328,336
Total budgetary expenditures	678,562	215,201	332,083	675,494	235,017	339,129