

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

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs

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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 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 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.

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 Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, 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 \$689 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).

As of June 30, 2012, SSHRC's total available authorities for 2012-13 amount to \$689 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 2012-13, these changes resulted in an increase in total authorities of \$11.1 million (1.6%) over the prior year, of which \$10.7 million (96% of the total changes) represented an increase in SSHRC's grants and scholarships programs

In this quarter, total available authorities incorporate the elements of the 2012-13 Supplementary Estimates (A) (SEA). The SEA is the first of three opportunities to approve changes in SSHRC's authority levels for the current fiscal year (other than transfers from Treasury Board votes). The vast majority of these changed elements are the result of previous federal budget announcements, while the balance relate to technical adjustments from Treasury Board and transfers between departments and agencies for specific initiatives. The future and ongoing impacts of SEA elements will be included in SSHRC's 2013-14 Main Estimates for the next fiscal year. Due to the called elections, the 2011-12 SEA elements were not included in the first quarter of the last fiscal year. The first quarter of last year had only the Main Estimates as available authorities. For the ongoing elements from previous federal budget announcements or transfers between departments and agencies, only the net difference in the level of funding between the two fiscal years is presented in the explanation below. The net changes, amounting to the \$11.1 million increase in total available authorities between the current and previous fiscal year, comprise the following elements:

- 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;

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- an increase of \$0.1 million in grants and scholarships programs due to a transfer to cover ring-fenced initiatives that fall under SSHRC's scope;
- 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 sunsetting of funds of the Business-Led Networks of Centres of Excellence program;
- 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 sunsetting of funding from Budget 2004; and
- 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.

Authorities Used in First 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 June 29, 2012.

The total authorities used during the first quarter of 2012-13 amounted to \$130.2 million (18.9% of the total available authorities: 18.8% of the total authorities used for grants and scholarships programs and 21.6% for operating expenditures and employee benefits). This represents a \$13.4 million increase from the same quarter in the previous fiscal year (\$13.4 million net increase in authorities used for grant and scholarship expenditures when the operating and employee benefit expenditures are in line with last fiscal year's first quarter spending). The increase in grant and scholarship expenditures is a result of payment timing differences between the first and second 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 Benefit 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.



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 \$11.1 million for 2012-13 over the previous year. This increase is attributed mainly to the increase in transfer payment (i.e., grant and scholarship) program authorities.

The implementation of the government's efforts to return to a balanced budget had no significant impact on the results of the first quarter. The savings that resulted from the changes will affect the results of the quarters to come.

Transfer Payment Expenditures (Grants and Scholarships)

First 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 first quarter of 2012-13, SSHRC's actual transfer payment expenditures have increased by \$13.4 million over the same quarter of the previous fiscal year. The main factor for this increase is payment timing differences between comparative quarters. The majority of the payment timing differences (\$16.8 million or 125% of the total) are due to earlier spending in the Indirect Costs Program for which some payments were made at the beginning of the second quarter last fiscal year. 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 are scheduled at the beginning of the second quarter this fiscal year.

Personnel Expenditures

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's planned operating expenditures (well over 70% of available operating authorities or expenditures for 2012-13). The personnel expenditures for the first quarter of 2012-13 are in line with the previous year's first quarter spending.

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 prior year with the exception of transportation and communication, which have increased marginally as a result of timing differences on travel bookings that were done sooner this fiscal year than in the previous fiscal year. Non-personnel operating expenditures

must be funded from the established net operating expenditure authorities available for 2012-13. As such, timing differences will be offset by the end of the fiscal year.

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 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 priorities, fostering partnerships, 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 new program architecture allows for the consolidation of existing and new funding opportunities under umbrella programs, as well as enhanced service delivery and process re-engineering. 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 expanded partnership program dimensions. 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 and Partnership Development Grants. Another prevalent influence involved the continuing implementation of government-wide operating budget constraint measures and 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. Savings will increase to \$14 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 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 the Council meet its goals.

Expenditures in the first quarter of 2012-13 are higher than in 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 savings 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:
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August 28, 2012

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6. Statement of Authorities (unaudited)

<i>(In thousands of dollars)</i>	Fiscal Year 2012-13			Fiscal Year 2011-12		
	Total available for use for the year ending March 31, 2013*	Used during the quarter ended June 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 June 30, 2011	Year-to-date used at quarter-end
Vote 90 – Net Operating Expenditures	23,524	4,996	4,996	22,934	5,007	5,007
Vote 95 – Grants and Contributions	662,353	124,549	124,549	651,685	111,143	111,143
Budgetary Statutory Authorities – Employee Benefit Plans	2,800	700	700	2,929	732	732
Total Budgetary Authorities	688,677	130,245	130,245	677,548	116,882	116,882
Non-Budgetary Authorities				-	-	-
Total Authorities	688,677	130,245	130,245	677,548	116,882	116,882

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

7. Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(In thousands of dollars)</i>	Fiscal Year 2012-13			Fiscal Year 2011-12		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year-to-date used at quarter-end
Expenditures						
Personnel	18,720	4,717	4,717	19,204	4,827	4,827
Transportation and Communications	1,303	294	294	1,383	204	204
Information	384	13	13	485	32	32
Professional and Special Services	4,100	458	458	3,743	455	455
Rentals	184	27	27	224	16	16
Repair and Maintenance	531	153	153	304	127	127
Utilities, Materials and Supplies	134	2	2	154	-	-
Acquisition of Machinery and Equipment	968	32	32	366	78	78
Transfer Payments	662,353	124,549	124,549	651,685	111,143	111,143
Total Budgetary Expenditures	688,677	130,245	130,245	677,548	116,882	116,882