

Social Sciences and Humanities Research Council of Canada Quarterly Financial Report for the Quarter Ended December 31, 2015

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 is a funding agency that promotes and supports postsecondary research and training in the social sciences and humanities to enhance the economic, social and cultural development of Canada, its communities and regions. Social sciences and humanities research builds knowledge about people in the past and present, with a view toward creating a better future.

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 2015-16.

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 agency, consistent with the Main Estimates and Supplementary Estimates for the 2015-16 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 of Canada. 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 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 \$719.2 million, \$341.7 million of which corresponds to the tri-agency [Research Support Fund](#) on behalf of the other two federal research granting agencies, the Natural Sciences and Engineering Research Council and the Canadian Institutes of Health Research.

As of December 31, 2015, SSHRC's total available authorities for 2015-16 amounted to \$719.2 million. To date, for 2015-16, total authorities have increased by \$2.7 million over the previous year, with \$2.9 million coming from an increase in SSHRC's grant and scholarship programs. There was also a decrease of \$0.2 million in the authorities for the respending of revenue. The net changes between the current and previous fiscal year comprise the following elements:

- An increase of \$2.8 million to support social innovation research projects, connecting the talent, facilities and capabilities of Canada's colleges and polytechnics with the research needs of local community organizations. (Budget 2014); and
- An increase of \$0.1 million in the Business-Led Networks of Centres of Excellence program, which creates links between innovative businesses and Canada's best researchers, helping to create and sustain knowledge-based jobs.

Authorities Used in the Third Quarter

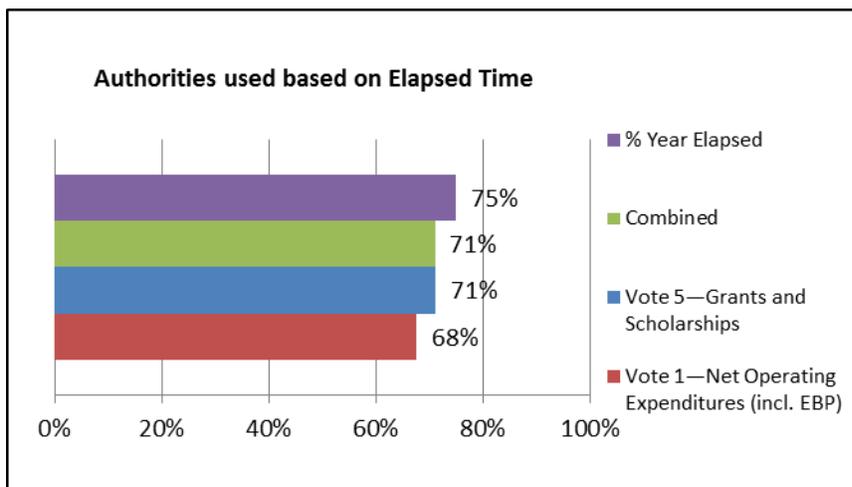
This QFR reflects the results of the current fiscal period in relation to the 2015-16 Main Estimates, Supplementary Estimates (A) (SEA) and allocations from Treasury Board's central votes.

The total authorities used during the third quarter of 2015-16 amounted to \$151.2 million (21% of the total available authorities; 21% of the total authorities for grant and scholarship programs; and 23% for operating expenditures and employee benefits). This represents a \$20.9 million decrease from the same quarter in the previous fiscal year. This decrease is principally related to grant and scholarship programs (\$21.2 million), offset by an increase of \$0.3 million in operating expenditures. For the grant and scholarship programs, the increase is mostly due to payment timing differences between the second and third quarters of the comparative fiscal years, which are expected to offset by year-end.

Grant and scholarship payments vary between periods due to competition cycles and the results of merit-reviewed funding opportunities and multi-year award profiles. Operating expenditures cover personnel and other operating expenses required to support the delivery of grant and scholarship 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, are tied to the program cycle and are demand-driven. As a large proportion of 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.

Authorities Used Year-to-Date

Total authorities used cumulatively during the first nine months of the 2015-16 fiscal year represented \$511.1 million (71% of the available authorities). This represents \$9 million less than the previous fiscal year. The main factor for this overall decrease is the timing of payments for grants and scholarships compared with the previous fiscal year. The proportion of cumulative grants and scholarships authorities used in 2015-16 decreased to 71.2%, from 73% in 2014-15. This fiscal year, the cumulative authorities used for operating expenditures and the employee benefit plan increased by \$0.7 million over the previous fiscal year. SSHRC has spent 68.1% of its authorities for operating expenditures and the employee benefit plan in the current fiscal year, compared with 64.3% in 2014-15.

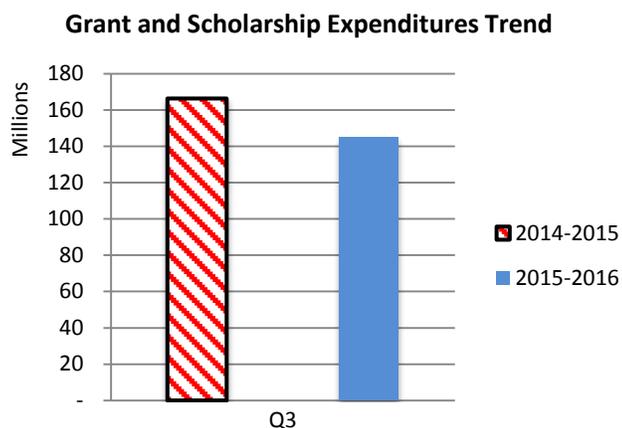


Statement of Departmental Budgetary Expenditures by Standard Object

Third 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 third quarter of 2015-16, SSHRC's transfer payment expenditures decreased by \$21.2 million over the same quarter of the previous fiscal year. The main factors for this decrease include:

- a timing difference on payments that resulted in a decrease of **\$27.9 million** over the previous year for the following programs: Joseph-Armand Bombardier Canada Graduate Scholarships, Doctoral Fellowships and the Centres of Excellence for Commercialization and Research. It also resulted in an increase of **\$5.5 million** over the previous year for the Research Support Fund. This timing difference is expected to be offset by year-end;
- a decrease of **\$1.8 million** due to the sunsetting of the Standard Research Grants Program and Strategic Knowledge Clusters;
- a decrease of **\$0.4 million** for the Canada Research Chairs Program due to a lower amount of active chairs compared to the third quarter of the previous fiscal year; and
- an increase of **\$3.4 million** for Insight Development Grants due to new grants paid in this period, as well as a ramp-up of the program.



Year-to-Date Grant and Scholarship Expenditures

At the end of the third quarter, SSHRC spent \$9.8 million (1.9%) less than what was spent at the same point in the previous fiscal year. The main factors for the decrease over the previous year include:

- a timing difference on payments that resulted in a decrease of **\$25.6 million** for the Joseph-Armand Bombardier Canada Graduate Scholarships and Doctoral Fellowships, as well as an increase of **\$6.5 million** for the Research Support Fund;
- a decrease of **\$3.1 million** due to the sunsetting of the Standard Research Grants Program, Community-University Research Alliances and Strategic Knowledge Clusters;
- a decrease of **\$2 million** for the Canada Research Chairs Program, due to a lower amount of active chairs compared to the third quarter of the previous fiscal year;

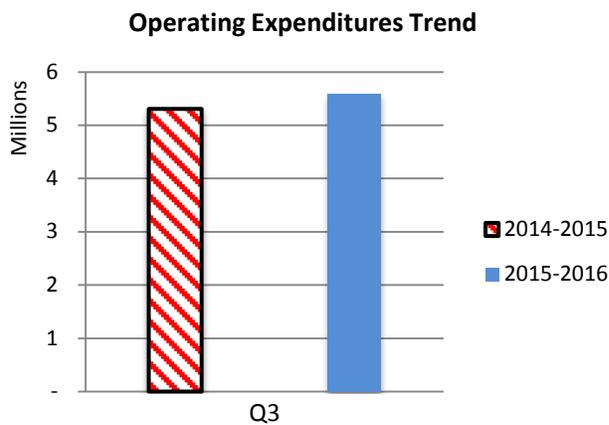
- an increase of **\$7.4 million** for Insight Grants and Insight Development Grants due to a ramp-up of the program; and
- an increase of **\$7.0 million** for Partnership Grants due to new grants paid in this period, as well as a ramp-up of the program.;

Third Quarter and Year-to-Date Personnel Expenditures

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's planned operating expenditures (approximately 67% of available operating authorities and planned operating expenditures for 2015-16). The year-to-date increase of \$0.9 million is the result of long-term vacancies being filled. The decrease of \$0.5 million in "Other subsidies and payments" is due to a 2014-15 one-time transition payment for implementing salary payment in arrears by the Government of Canada.

Third Quarter and Year-to-Date 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 opportunity competitions that take place predominantly during the final quarter of the fiscal year. Total non-personnel expenditures to date in 2015-16 are generally consistent with last year.



3. Risks and Uncertainties

Funding and Program Delivery Risk Factors

Through the 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 (grant and scholarship 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, program delivery can be affected by factors such as the economic climate, technological and scientific development, and evolving government priorities, which impact approved resource levels (total available authorities).

Research and innovation are part of global trends; therefore, participation in SSHRC programs is influenced not only by the Canadian context, but also by initiatives and opportunities worldwide. Formal communications and external relation strategies are developed by SSHRC to ensure that stakeholder relationships and expectations are managed effectively.

There is also the risk that SSHRC fails to achieve its mandate and strategic outcomes. To mitigate this risk, an integrated planning process is firmly in place. This process serves as the foundation for SSHRC to plan all aspects of its business in an integrated manner and to align priorities and resources accordingly.

Internal Risk Factors

In order to ensure stakeholder engagement and to mitigate the risk of misrepresenting our stakeholders' priorities and values, a group of institution representatives, SSHRC Leaders, was created. SSHRC Leaders provide an ongoing channel of communication between their institutions and SSHRC, helping all parties stay abreast of developing issues. This open dialogue permits the relay to universities of information on new policy and program developments. For their part, SSHRC Leaders are able to gather information and ideas from the university community, feeding into the development of SSHRC policies and programs.

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 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. SSHRC is challenged by the 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 improve external client service.

Thus far, SSHRC has achieved operational efficiencies through economies of scale by the shared administrative service arrangements with the Natural Sciences and Engineering Research Council of Canada; corporate-wide prioritization and harmonization or 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; total operating expenses account for less than 4% of its annual disbursement. This efficiency is in part due to the continued and substantial contribution of the thousands of volunteer

peer reviewers who provide immense in-kind benefit to SSHRC's grant review operations. In addition, as noted above, SSHRC is pursuing business transformation to improve efficiency measures and to enhance 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 the contributions of research and training funds for Canada's economic prosperity and quality of life. The new program architecture has placed an emphasis on research excellence, 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 three umbrella programs—Talent, Insight and Connection—as well as enhanced service delivery and process re-engineering. A new program architecture is being developed and will be implemented as of April 1, 2017.

A number of important changes, in comparison with the previous fiscal year, relate to operations, personnel and programs. These include the impacts generated by SSHRC's previously increased available authorities, which resulted in expanded partnership program dimensions. In Budget 2014, the Government of Canada launched the Canada First Research Excellence Fund; results for the inaugural competition were announced in July 2015. Budget 2015, tabled in April 2015, included funding announcements describing additional program dimensions that will be implemented by SSHRC, following Treasury Board and Parliament approvals, over the course of the 2016-17 fiscal year.

Approved by:

Ted Hewitt, PhD
President, SSHRC

Ottawa, Canada
February 28, 2016

Nathalie Manseau, CPA, CA
Acting Vice-President and
Chief Financial Officer, SSHRC

5. Statement of Authorities for the Quarter Ended December 31, 2015

Social Sciences and Humanities Research Council of Canada
 Quarterly Financial Report
 For the quarter ended December 31, 2015
 Statement of Authorities (unaudited)

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended December 31, 2015	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2015*	Used during the quarter ended December 31, 2014	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Operating Expenditures	24,162	5,600	16,279	24,659	5,302	15,646
Less: Revenues netted against expenditures	-	-	-	75	-	-
Vote 1—Net Operating Expenditures	24,162	5,600	16,279	24,584	5,302	15,646
Vote 5—Grants and Scholarships	692,214	144,987	492,851	689,333	166,239	502,640
Budgetary Statutory Authorities						
Contributions to the employee benefit plan	2,609	652	1,957	2,586	627	1,882
Spending of revenues pursuant to subsection 4 (2) of the <i>Social Sciences and Humanities Research Council Act</i>	225	6	6	-	-	-
Total Budgetary Authorities	719,210	151,245	511,093	716,503	172,168	520,168

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

6. **Departmental Budgetary Expenditures by Standard Object (Unaudited) for the Quarter Ended December 31, 2015**

Social Sciences and Humanities Research Council of Canada

Quarterly Financial Report

For the quarter ended December 31, 2015

Departmental Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	18,187	5,212	15,369	18,202	4,996	14,503
Transportation and communications	2,326	98	471	1,695	128	396
Information	515	134	454	909	102	310
Professional and special services	3,815	574	1,364	3,317	380	1,102
Rentals	1,418	75	318	924	260	473
Repair and maintenance	127	21	25	42	2	7
Utilities, materials and supplies	144	47	76	122	22	50
Acquisition of machinery and equipment	464	82	120	2,034	67	95
Other subsidies and payments	-	15	45	-	(28)	592
Transfer payments	692,214	144,987	492,851	689,333	166,239	502,641
Total Gross Budgetary Expenditures	719,210	151,245	511,093	716,578	172,168	520,169
Less revenues netted against expenditures-Netted Revenue	-	-	-	75	-	-
Total Net Budgetary Expenditures	719,210	151,245	511,093	716,503	172,168	520,169