

Social Sciences and Humanities Research Council of Canada Quarterly Financial Report for the Quarter Ended December 31, 2011

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

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 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 \$698.5 million, \$331.9 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 December 31, 2011, SSHRC's total available authorities for 2011-12 amounted to \$698.5 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 grant and scholarship program authorities (vote 95) in the current fiscal year. In addition, SSHRC is authorized to

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended December 31, 2011 (unaudited)

transfer up to 5% of its unused operating budget (vote 90) from the previous 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, the cumulative resource level adjustments resulted in an increase in total available authorities of \$9.9 million (1.4%) over the previous year. This net increase in total available authorities is attributable to a \$9.9 million increase in grant and scholarship authorities (vote 95) for expanded programs.

In this quarter, total available authorities incorporate the elements of the 2011-12 Supplementary Estimates (B) (SEB). The SEB is the second, and most significant, 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 SEB elements will be included in SSHRC's 2012-13 Main Estimates for the next fiscal year. The 2010-11 SEB elements were also included in the third quarter of last fiscal year. Some of these 2010-11 SEB elements, which were introducing funding for more than one fiscal year, were already factored into the 2011-12 Main Estimates. For that reason, they were included in available authorities as of the first quarter of 2011-12. For these ongoing elements, only the net difference in the level of funding between the two fiscal years is presented in the explanation below. The following elements comprise the changes in total available authorities—which amount to an increase of \$9.9 million over the previous year:

- 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*);
- a decrease of \$8.2 million in program realignments as per the federal Strategic Review exercise (*Budget 2008*);
- an increase of \$7.0 million in grants and scholarships to support world-leading research in the social sciences and humanities (*Budget 2011*);
- a decrease of \$3.5 million to the Canada Graduate Scholarships Program with respect to the phasing out of funding from the federal Economic Action Plan (*Budget 2009*);
- an increase of \$3 million in the Centres of Excellence for Commercialization and Research Program to advance research and facilitate commercialization of technologies, products and services within the four priority areas identified in the federal Science and Technology (S&T) Strategy. The four areas are: environment; natural resources and energy; health and life sciences; and information and communications technologies (*Budget 2007*);
- an increase of \$1.7 million in the Banting Postdoctoral Fellowships Program to attract and retain top-tier postdoctoral talent, both nationally and internationally; to develop their



Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended December 31, 2011 (unaudited)

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 \$0.5 million in the operating budget due to an allocation from Treasury Board (vote 30) for the reimbursement of eligible payroll expenditures such as severance pay and parental benefits;
- a decrease of \$0.3 million due to the difference between fiscal years on the amount transferred to other departments such as transfers to National Defence and the Canadian Forces to support the Canada Research Chairs Program and the indirect costs of federally funded academic research at the Royal Military College, and an amount from Canadian Heritage for research funding to inform policy development on the topic of sport participation;
- a decrease of \$0.2 million in operating budget due to an adjustment of the 2010-11 authorities resulting from the collective agreements and from the self-financing of the salary increases budget constraint measure included in *Budget 2010*; and
- a decrease of \$0.1 million in the amount of the operating budget carry-forward over the previous 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 sunseting of certain operating funding.

Authorities Used in Third Quarter

This departmental quarterly financial report 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; to the carry-forward of operating funds from 2010-11 to 2011-12 that was approved on August 19, 2011; and to the Supplementary Estimates (B) that were approved on December 19, 2011.

The total authorities used during the third quarter of 2011-12 amounted to \$179.3 million (25.7% of the total available authorities: 25.8% of the total authorities used for grants and scholarships programs and 22.3% for operating expenditures and employee benefits). This represents a \$16.5 million increase from the same quarter in the previous fiscal year (\$16.8 million net increase in authorities used for grant and scholarship expenditures offset by a \$0.3 million decrease in authorities used for operating and employee benefit plan expenditures). The increase in grant and scholarship expenditures is a result of payment timing differences between the third and fourth 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 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 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.

Authorities Used Year-to-Date

Total authorities used cumulatively during the first nine months of the fiscal year of 2011-12 amounted to \$511.3 million (73.2% of the available authorities), representing a \$9.5 million increase from the same period in the previous fiscal year. This variance comprises an \$8.9 million increase in grant and scholarship expenditures and a \$0.6 million increase in operating and employee benefit plan expenditures. The main factors for the increase in grant and scholarship expenditures are the delivery of the additional program funding approved by Parliament (as outlined in the Available Authorities section) and some payment timing differences between the two comparable periods. These payment timing differences are related mainly to the realignment of programs and competition schedules resulting from SSHRC's program architecture renewal (i.e., spending done at an earlier time this fiscal year in relation to the grouping of funding opportunities under the new program architecture for which the competitions occurred at a later date in the previous fiscal year). The proportion of grant and scholarship authorities used in the nine months of the fiscal year increased slightly from 73.3% in 2010-11 to 73.6% in the current fiscal year.

The increase in authorities used in the first nine months of the fiscal year for operating expenditures and for employee benefit plan expenditures is due mainly to schedule variances in operating projects that created timing differences in operating expenditures between comparative fiscal periods. To date, SSHRC spent 64.9% of its operating and employee benefit plan authorities in the first nine months of the current fiscal year compared to 62.6% in 2010-11.

Statement of Departmental Budgetary Expenditures by Standard Object

Variation in Amounts Available for Use in 2011-12

As described in the Available Authorities section, SSHRC's total Parliamentary authorities have increased by \$9.9 million for 2011-12 over the previous year. This increase is attributed to the increase in transfer payment (i.e., grant and scholarship) program authorities. SSHRC has also adjusted its operating budget allocations by expenditure category to reflect historical spending patterns and requirements, increasing the proportion available for personnel expenditures in comparison with previous year plans and reducing the other categories of operating expenditures accordingly to align with current forecasts.

Transfer Payment Expenditures (Grants and Scholarships)

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 2011-12, SSHRC's actual transfer payment expenditures have increased by \$16.8 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 (\$8.9 million or 53% of the total) are due to earlier spending in the Insight Development Grants funding opportunity under the new program architecture, for which some competitions occurred during the last quarter of 2010-11. The balance of the payment timing differences (\$7.9 million or 47% of the total) are due to grant instalments for some funding opportunities that were paid in the third quarter of this year, while the equivalent payments were made in the second quarter of the previous fiscal year. This timing difference was related to the outstanding progress reports at the end of September 2011, which were required before the grant instalments could be paid.

Year-to-Date Grant and Scholarship Expenditures

At the end of the first nine months of the year, SSHRC spent \$8.9 million more in grants and scholarships than it spent by the same point in the previous fiscal year (1.9% increase over the previous year). The main causes for this increase are the additional grant and scholarship spending related to the expanded program authorities; the earlier payment schedule of funding opportunities under the new program architecture; and timing differences of grant instalments for some programs that were paid in the third quarter of this year while the equivalent payments were made in the fourth quarter of the previous 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 2011-12). The personnel expenditures increased by \$143,000 (2.9%) compared to the same period in 2010-11, and by \$622,000 (4.4%) cumulatively in the first nine months 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 funding competitions that take place

predominantly during the latter quarter of the fiscal year. Total non-personnel expenditures to date in 2011-12, both in the period and cumulatively, are consistently lower than in the previous year, with the exception of expenditures on the repair, maintenance and acquisition of machinery and equipment, which have increased marginally as a result of replacements of obsolete hardware components. Non-personnel operating expenditures must be funded from the established net operating expenditure 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, all of which impact approved resource levels (total available authorities).

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 around 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 agencies at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The resulting budgetary pressures include the self-financing of annual salary increases, requiring internal reductions and reallocation measures, for an estimated amount of \$0.86 million to date since the announcement of budget constraint 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 of operating expenditures. 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 the following: economies of scale harnessed by the shared administrative service arrangements with the Natural Sciences and Engineering Research Council; 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 new program architecture 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) and 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

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended December 31, 2011 (unaudited)

June, included funding announcements with additional program dimensions that are being implemented by SSHRC over the course of the fiscal year following Treasury Board and Parliament approvals.

Approved by:

Originally signed by:

Originally signed by:

Chad Gaffield, PhD, FRSC
President, SSHRC

February 23, 2012

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



5. 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 December 31, 2011	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2011*	Used during the quarter ended December 31, 2010	Year-to-date used at quarter-end
Vote 90 – Net Operating Expenditures	24,615	5,410	15,688	25,057	5,767	15,410
Vote 95 – Grants and Contributions	670,910	173,115	493,456	660,975	156,335	484,571
Budgetary Statutory Authorities – Employee Benefit Plans	2,948	732	2,196	2,539	625	1,875
Total Budgetary Authorities	698,473	179,257	511,340	688,571	162,727	501,856
Non-Budgetary Authorities	-	-	-	-	-	-
Total Authorities	698,473	179,257	511,340	688,571	162,727	501,856

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

6. 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 December 31, 2011	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended December 31, 2010	Year-to-date used at quarter-end
Expenditures						
Personnel	20,160	5,095	14,764	17,440	4,952	14,142
Transportation and Communications	1,548	192	584	2,072	277	600
Information	542	61	134	715	111	230
Professional and Special Services	4,138	557	1,681	5,716	795	1,756
Rentals	251	18	72	242	27	77
Repair and Maintenance	341	53	290	349	30	255
Utilities, Materials and Supplies	173	11	62	245	29	50
Acquisition of Machinery and Equipment	410	155	297	817	171	175
Transfer Payments	670,910	173,115	493,456	660,975	156,335	484,571
Total Budgetary Expenditures	698,473	179,257	511,340	688,571	162,727	501,856