

# Social Sciences and Humanities Research Council of Canada

## Quarterly Financial Report for the Quarter Ended

### September 30, 2014

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

1. Introduction
2. Highlights of Fiscal Quarter
3. Risks and Uncertainties
4. Significant Changes Related to Operations, Personnel and Programs
5. Budget 2012 Implementation
6. Statement of Authorities (Unaudited) for the Quarter Ended September 30, 2014
7. Departmental Budgetary Expenditures by Standard Object (Unaudited) for the Quarter Ended September 30, 2014

#### 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 2014-15.

#### 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 2014-15 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 \$692.9 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 (NSERC) and the Canadian Institutes of Health Research.

As of September 30, 2014, SSHRC's total available authorities for 2014-15 amounted to \$692.9 million. To date, for 2014-15, total authorities have increased by \$6.8 million (1.0%) over the previous year, with \$5.3 million coming from an increase in SSHRC's grant and scholarship programs and \$1.5 million from an increase in the authorities for operating expenditures and employee benefits. The net changes between the current and previous fiscal year comprise the following elements:

- an increase of **\$7.0 million** in grant and scholarship programs to strengthen research partnerships between postsecondary institutions and industry (Budget 2013);
- an increase of **\$0.4 million** in the Business-Led Networks of Centres of Excellence program, which creates links between innovative businesses and Canada's world-class researchers, helping to create and sustain knowledge-based jobs;
- an increase of **\$1.1 million** due to a timing difference on the approval of the operating budget carry-forward in comparison with the previous year;
- a decrease of **\$1.5 million** in the Centres of Excellence for Commercialization and Research program, which creates more effective and efficient ways to identify commercialization opportunities (Budget 2007); and
- a decrease of **\$0.2 million** in the operating budget from a reduction in SSHRC's travel budget and a transfer to Shared Services Canada for the streamlining of the procurement of end-user device software.

## **Authorities Used in the Second Quarter**

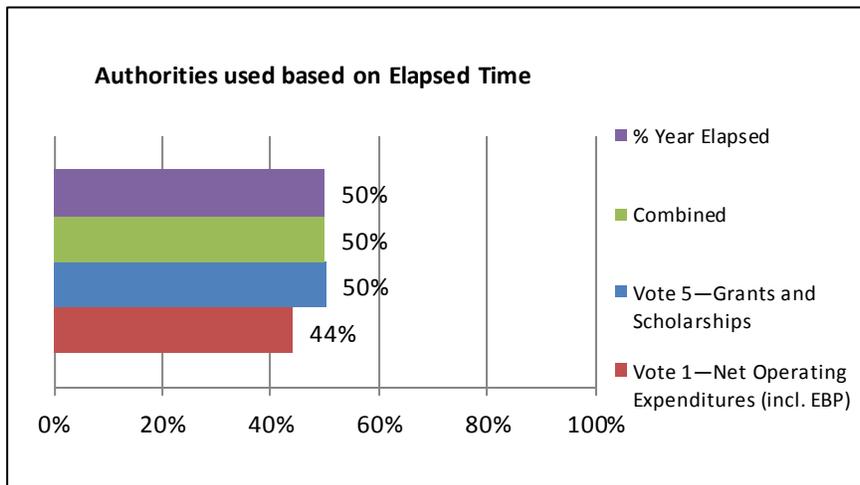
This QFR reflects the results of the current fiscal period in relation to the 2014-15 Main Estimates and Supplementary Estimates (A) (SEA), for which full supply was released by Parliament on June 20, 2014.

The total authorities used during the second quarter of 2014-15 amounted to \$191.3 million (28% of the total available authorities; 28% of the total authorities for grant and scholarship programs; and 22% for operating expenditures and employee benefits). This represents a \$14.5-million decrease from the same quarter in the previous fiscal year. This decrease is principally related to grant and scholarship programs (\$14.6 million). For the grant and scholarship programs, the decrease is a result of payment timing differences between the first and second 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 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 six months of the 2014-15 fiscal year represented \$346.3 million (50% of the available authorities). This represents \$16.4 million more than the previous fiscal year. The main factor for this overall increase 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 the fiscal year increased to 50.2% in 2014-15 from 48.2% in the previous fiscal year. The cumulative authorities used this fiscal year for operating expenditures and the employee benefit plan increased by \$0.3 million over last fiscal year. SSHRC has spent 44.3% of its authorities for operating expenditures and the employee benefit plan in the current fiscal year, compared with 45.8% in 2013-14. The main factor for this increase is the statutory and ramp-up salary increase partially offset by a decrease in professional and special services.



## Statement of Departmental Budgetary Expenditures by Standard Object

### Variation in Amounts Available for Use in 2014-15

As described in the Available Authorities section, SSHRC's total parliamentary authorities have increased by \$6.8 million to date in 2014-15 over last year. The bulk of this increase is attributed to the increase in authorities for grants and scholarships (\$5.3 million).

### Transfer Payment Expenditures (Grants and Scholarships)

#### Second Quarter Grant and Scholarship Expenditures

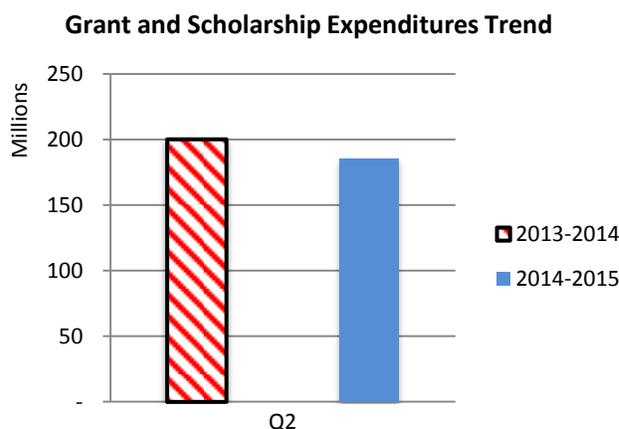
Transfer payments represent over 96% of SSHRC's total available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of the funding opportunity cycles. During the second quarter of 2014-15, SSHRC's transfer payment expenditures decreased by \$14.6 million over the same quarter of the previous fiscal year. The main factors for this decrease include:

- a decrease of **\$10.5 million** for the Indirect Costs Program due to earlier spending in the first quarter of 2014-15;
- an increase of **\$5.8 million** for the Insight Grants funding opportunity due to new grants paid in this period;
- a decrease of **\$8.2 million** in various grant and scholarship programs, including \$2.8 million for Research Grants, \$2.5 million for Strategic Research Clusters, \$1.5 million for Strategic Joint Initiatives, and \$1.4 million for Centres of Excellence for Commercialization and Research; and
- a decrease of **\$1.7 million** in various grant and scholarship programs due to timing differences. The more significant ones are an increase of \$2.6 million in SSHRC Institutional Grants payments offset by a decrease of \$1.5 million in Vanier Canada Graduate Scholarships payments compared with last year. These timing differences are expected to be offset by year-end.

## Year-to-Date Grant and Scholarship Expenditures

At the end of the second quarter, SSHRC spent \$16.1 million (5.1%) more than what was spent at the same point in the previous fiscal year. The main factors for the increase over the previous year include:

- a increase of **\$24.8 million** due to earlier spending in 2014-15 of the Indirect Costs Program;
- an increase of **\$7.2 million** in Insight Grants due to new grants paid in this period;
- an increase of **\$6.0 million** in Partnership Grants due to the ramp-up of the program;
- a decrease of **\$13.7 million** in various grant and scholarship programs, including \$7.2 million for Research Grants, \$2.5 million for Strategic Research Clusters, \$1.5 million for Major Collaborative Research Initiatives Program, \$1.5 million Community-University Research Alliances, and \$1.0 for Centres of Excellence for Commercialization and Research; and
- a decrease of **\$2.2 million** in various grant and scholarship programs due to timing differences. The most significant is a decrease of \$2.1 million in Vanier Canada Graduate Scholarships payments compared with last year. These timing differences are expected to offset by year-end.



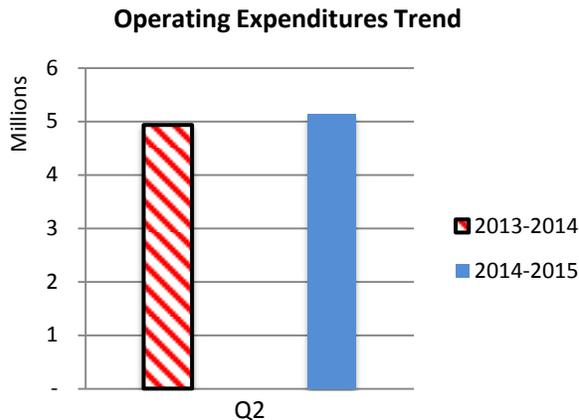
## Second Quarter and Year-to-Date Personnel Expenditures

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's planned operating expenditures (approximately 68% of available operating authorities and planned operating expenditures for 2014-15). The personnel expenditures for the second quarter of 2014-15 are generally in line with the previous year's second quarter spending.

## Second 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 2014-15 are generally consistent with last year. Decreased expenditures during the second quarter of this fiscal year for professional and special services (\$331,000) related to the timing of projects requiring professional expertise and assistance. Information expenditures have also seen a slight decrease (\$143,000) due to the timing of work that did not occur in the comparative period of the previous fiscal 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**

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's financial constraints are challenging 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 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. Another significant influence involved the continuing implementation of government-wide operating budget constraint measures and the government's efforts to return to a balanced budget, details of which are described in the section below. Federal Budget 2014, tabled in March 2014, included funding announcements describing additional program dimensions that will be implemented by SSHRC, following Treasury Board and Parliament approvals, over the course of the 2014-15 fiscal year.

As of August 31, 2014, former President Dr. Chad Gaffield (appointed to SSHRC in 2006), has stepped down to resume his position as a professor at the University of Ottawa. Dr. Jack Mintz, vice-president and Chair of Council, will assume the presidency on an interim basis until a new president is appointed.

## **5. Budget 2012 Implementation**

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to: refocus government and programs; make it easier for Canadians and businesses to deal with their government; and modernize administrative processes.

Through Canada's Economic Action Plan, SSHRC had achieved savings of approximately \$14 million as of 2013-14. Over Budget 2012, Budget 2013 and Budget 2014, the Government of Canada reinvested \$21 million annually in SSHRC's grant and scholarship programs to support world-leading research through industry-academic partnership initiatives (including research related to labour market participation of persons with disabilities), and to increase the level of advanced research. These investments have resulted in a net increase of \$7 million to SSHRC's overall budget.

SSHRC has examined all of its activities and investments with the intention of streamlining operations and ensuring maximum efficiencies.

In realizing operating budget savings, a number of measures are being implemented to generate greater efficiency and effectiveness, including an enhanced use of technological advancements, such as teleconferencing and virtual meetings for adjudication and merit-review processes. SSHRC has also redesigned its program architecture, which has resulted in a simpler framework for grant funding and management. A rigorous and cohesive approach to priority setting, project planning and training further helps SSHRC meet its goals.

Expenditures in the second quarter of 2014-15 are lower than in the same period of the previous fiscal year. The difference between the two fiscal years is due mainly to a timing difference in grant payments. SSHRC's operating expenditures are decreasing—a reflection of savings resulting from SSHRC's contribution to the Government of Canada's efforts to return to a balanced budgetary position.

There was no incremental funding provided to SSHRC to implement the above cost-saving measures.

There are no specific financial risks or uncertainties related to these savings.

Approved by:

**Ted Hewitt, Ph.D.**  
**Chief Operating Officer,**  
**SSHRC**

**Alfred Tsang, CPA, CMA**  
**Vice-President and Chief**  
**Financial Officer, SSHRC**

**Ottawa, Canada**  
**November 24, 2014**

## 6. Statement of Authorities for the Quarter Ended September 30, 2014

Social Sciences and Humanities Research Council of Canada  
 Quarterly Financial Report  
 For the quarter ended September 30, 2014  
 Statement of Authorities (unaudited)

	Fiscal Year 2014-2015			Fiscal Year 2013-2014		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended September 30, 2014	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended September 30, 2013	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Net Operating Expenditures	23,758	5,097	10,344	22,122	4,930	10,028
Less: Revenues netted against expenditures	75	-	-	-	-	-
<b>Vote 1—Net Operating Expenditures</b>	<b>23,683</b>	<b>5,097</b>	<b>10,344</b>	<b>22,122</b>	<b>4,930</b>	<b>10,028</b>
Vote 5—Grants and Scholarships	666,664	185,543	334,720	661,335	200,187	318,621
Budgetary Statutory Authorities—Employee Benefit Plan	2,509	627	1,255	2,610	653	1,305
<b>Total Budgetary Authorities</b>	<b>692,856</b>	<b>191,267</b>	<b>346,319</b>	<b>686,067</b>	<b>205,770</b>	<b>329,954</b>

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

## 7. Departmental Budgetary Expenditures by Standard Object (Unaudited) for the Quarter Ended September 30, 2014

Social Sciences and Humanities Research Council of Canada

Quarterly Financial Report

For the quarter ended September 30, 2014

Departmental Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2014-2015			Fiscal Year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	17,718	4,708	9,507	17,611	4,670	9,535
Transportation and communications	1,602	159	269	1,281	126	294
Information	859	166	208	333	41	65
Professional and special services	3,138	484	722	3,815	572	1,053
Rentals	873	166	212	157	23	48
Repair and maintenance	40	5	5	474	98	243
Utilities, materials and supplies	115	4	28	147	12	45
Acquisition of machinery and equipment	1,922	25	28	914	41	50
Other subsidies and payments	-	7	620	-	-	-
Transfer payments	666,664	185,543	334,720	661,335	200,187	318,621
<b>Total Gross Budgetary Expenditures</b>	<b>692,931</b>	<b>191,267</b>	<b>346,319</b>	<b>686,067</b>	<b>205,770</b>	<b>329,954</b>
<b>Less revenues netted against expenditures-Netted Revenue</b>	75	-	-	-	-	-
<b>Total Net Budgetary Expenditures</b>	<b>692,856</b>	<b>191,267</b>	<b>346,319</b>	<b>686,067</b>	<b>205,770</b>	<b>329,954</b>