

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended December 31, 2023**

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**Statement outlining the results, risks and significant changes in operations, personnel and programs**

**1. Introduction**

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2023–24 [Main Estimates](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). This report has not been subject to an external audit or review.

**1.1 Authority, mandate and programs**

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians by supporting post-secondary students and postdoctoral fellows in their advanced studies, funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

**1.2 Basis of presentation**

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying statement of authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates, Supplementary Estimates (A) and Supplementary Estimates (B) for the fiscal year 2023–24. 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 the Government of Canada can spend money. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

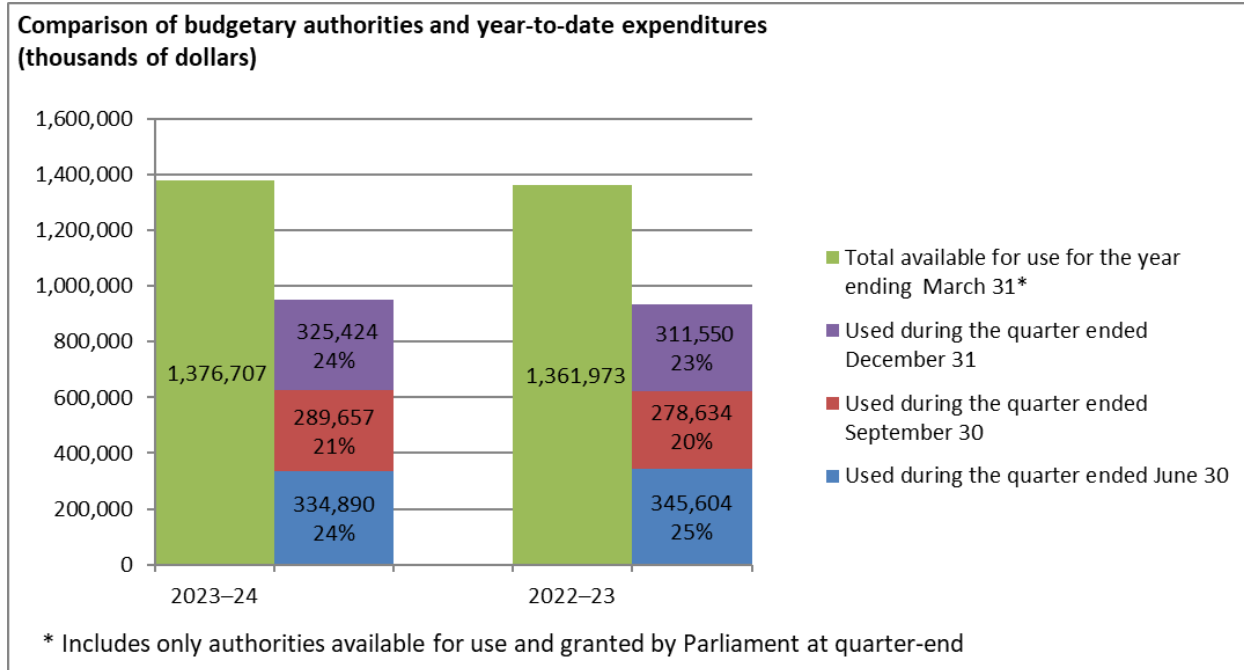
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted on by Parliament remain on an expenditure basis.

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**2. Highlights of fiscal quarter and fiscal year-to-date results**

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date expenditures compared with the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for the fiscal year 2023–24 and the fiscal year 2022–23.



**2.1 Significant changes to budgetary authorities**

As of December 31, 2023, NSERC’s total available authorities for the fiscal year 2023–24 amounted to \$1.377 billion. This represents an overall increase of \$14.7 million (1.1%) from the same period in the previous year. It should be noted that NSERC will pursue renewal of sunsetting funding where appropriate. The major changes in NSERC’s budgetary authorities between the current and previous fiscal years include the following:

- an increase of \$13.8 million for the College and Community Innovation top-up related to Budget 2023;
- an increase of \$13.5 million for grants and scholarships to implement several Budget 2021 measures: launching the National Quantum Strategy, supporting agriculture and agri-food innovation in a net-zero economy, academic research on small modular reactors and delivering Discovery Grant supplements;
- a decrease of \$12.0 million from the 2015–16 Canada First Research Excellence Fund competition;
- a decrease of \$10.9 million related to the gradual transfer of two programs (the Centres of Excellence for Commercialization and Research and the Business-Led Networks of Centres of Excellence to Innovation, Science and Economic Development Canada (ISED) under the Strategic Innovation Fund, as per the Budget 2018 announcement, which also included sunsetting the Networks of Centres of Excellence program;

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- an increase of \$10.7 million for Canadian post-secondary institutions that were successful in the 2022 Canada Excellence Research Chairs competition;
- an increase of \$0.8 million for the adjusted distribution of the Canada Graduate Scholarships between the three granting agencies and the Black Scholars initiative;
- a decrease of \$0.5 million in operating funds due to the sunsetting of the Equity, Diversity and Inclusion initiative from Budget 2018;
- a decrease of \$0.5 million from Budget 2018 funding for Discovery research; and
- a decrease of \$0.2 million related to a refocusing of government spending, an initiative announced in Budget 2023.

## 2.2 Significant changes to authorities used

### Year-to-date spending

The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

#### Year-to-date budgetary expenditures used at quarter end

(millions of dollars)

#### Vote 1—Operating expenditures

Personnel (includes contributions to EBP)

41.4                      40.7                      0.7

Non-personnel

5.6                              5.9                              (0.3)

#### Vote 5—Grants and scholarships

903.0                      889.2                      13.8

#### Total budgetary expenditures

**950.0                      935.8                      14.2**

Total budgetary expenditures amounted to \$950.0 million at the end of the third quarter of fiscal year 2023–24, compared to \$935.8 million reported in the same period in the previous fiscal year.

### Grants and scholarships expenditures

At the end of the third quarter of 2023–24, grants and scholarships expenses increased by \$13.8 million compared to those reported in the same period of the previous fiscal year.

The change in spending is due to:

- increases in the budgetary authorities for grants and scholarships due to additional support for Black scholars and Indigenous students, launching the National Quantum Strategy, supporting agriculture and agri-food innovation in a net-zero economy, academic research on small modular reactors, Canada Excellence Research Chairs, College and Community Innovation, and Canada Graduate Scholarships;
- offset by a decrease in the budgetary authorities for the Canada First Research Excellence Fund and sunsetting programs such as the Centres of Excellence for Commercialization and Research, the Business-Led Networks of Centres of Excellence programs, and other sunsetting funding; and
- timing of award payments.

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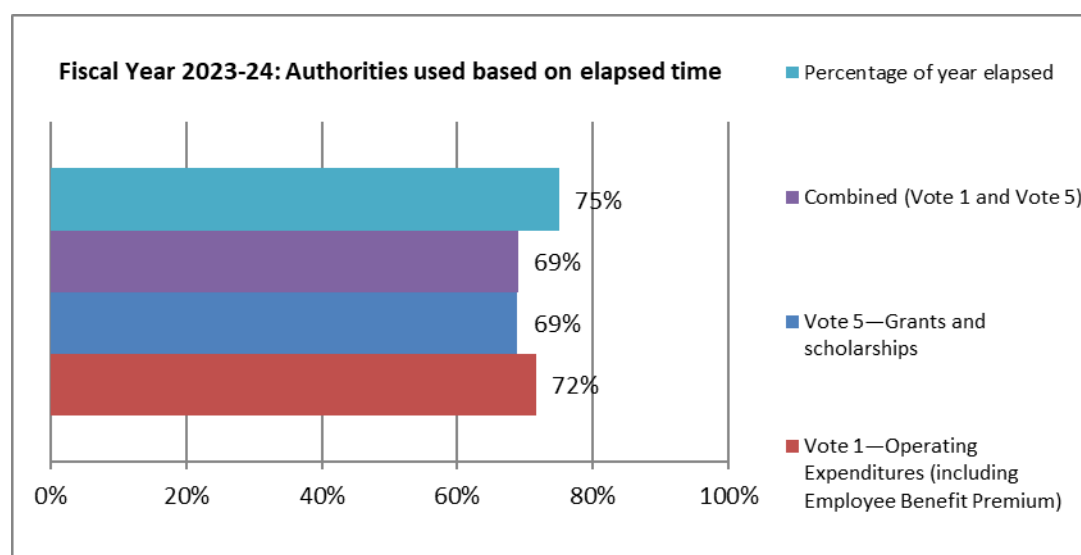
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### For the Quarter Ended December 31, 2023

#### Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, have remained largely in line with the comparative period of the previous fiscal year and reflect increased budgetary authorities.

Total non-personnel expenditures as of the third quarter of the fiscal year 2023-24 have remained generally in line with the comparative period of the previous fiscal year with a slight net decrease overall. This net decrease is mainly due to a reduction in professional and special services related to the completion of the financial system migration project. Please refer to the Departmental budgetary expenditures by standard object table in section 6 for additional details.



The total authorities used at the end of the third quarter (\$950.0 million) of the fiscal year 2023–24 represent 69% of total available authorities (\$1.377 billion).

#### Quarterly spending

The total authorities used during the third quarter of 2023–24 amounted to \$325.5 million, which represents 24% of the total available authorities, 24% of the total authorities for grants and scholarships programs, and 25% of the total authorities for operating expenditures and employee benefits.

#### Budgetary expenditures used during the third quarter

(millions of dollars)

##### **Vote 1—Operating expenditures**

Personnel (includes contributions to EBP)

13.7      13.0      0.7

Non-personnel

2.4      2.4      0.0

##### **Vote 5—Grants and scholarships**

309.4      296.1      13.3

##### **Total budgetary expenditures**

**325.5      311.5      14.0**

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**Grants and scholarships expenditures**

Transfer payments represent 95% of NSERC's available authorities. Variance in transfer payments stem from changes in budgetary authorities and from the nature of program cycles. During the third quarter of 2023–24, NSERC's transfer payment expenditures increased by \$13.3 million compared to the same quarter of the previous fiscal year.

The change in spending is due to:

- increases in the budgetary authorities for grants and scholarships due to additional support for Black scholars and Indigenous students, launching the National Quantum Strategy, supporting agriculture and agri-food innovation in a net-zero economy, academic research on small modular reactors, Canada Excellence Research Chairs, College and Community Innovation, and Canada Graduate Scholarships;
- offset by a decrease in the budgetary authorities for the Canada First Research Excellence Fund and sunseting programs such as the Centres of Excellence for Commercialization and Research, the Business-Led Networks of Centres of Excellence programs, and other sunseting funding; and
- timing of award payments.

**Operating expenditures**

Personnel expenditures, which include contributions to employee benefit plans, have remained largely in line with the comparative period of the previous fiscal year and reflect increased budgetary authorities.

Total non-personnel expenditures for the third quarter of the fiscal year 2023-24 have remained in line with the same period of the previous fiscal year. There was an increase in acquisition of machinery and equipment offset by a reduction in professional and special services related to the completion of the financial system migration project. Please refer to the Departmental budgetary expenditures by standard object table in section 6 for additional details.

**3. Risks and uncertainties**

NSERC produces an annual Corporate Risk Profile that includes key risks along with risk levels and mitigation activities. NSERC has linked corporate risk management with its integrated planning process to ensure greater cohesion and executive oversight in the delivery of its mandate.

The 2023–24 risk assessment exercise provided the level of insight required to properly respond to risk through the allocation of resources, both human and financial, and through the prioritization of activities. Senior management closely monitors the following three key risks for 2023–24:

- i. Legacy IT landscape – The risk that NSERC's legacy technology landscape (applications, infrastructure) will be unable to respond to the agency's current and evolving business needs, protect against cyber threats, and address the needs of the Canadian Research Community.

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- ii. Financial/resources management – The risk that multiple organizational pressures combined with external factors and funding compressions will stretch the organization’s limited resources (financial, human, technological) and impede NSERC’s capacity to efficiently allocate resources to support core activities, priorities or emerging needs.
  
- iii. Transitions and adaptation to change – There is a risk that NSERC will not be able to effectively manage and respond to change and transformation in a rapidly evolving and demanding environment, including the adoption of a new hybrid work model and the continuing addition of new priorities, imposed by factors both internal and external.

**4. Significant changes related to operations, personnel and programs**

On November 8, 2023, the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council of Canada (NSERC), the Social Sciences and Humanities Research Council of Canada (SSHRC), and the Canada Foundation for Innovation (CFI) announced the establishment of an ad hoc panel of external experts to provide guidance to the agencies and the research community on the use of generative artificial intelligence (AI) in the development and review of research proposals. The panel’s advice and recommendations were published on NSERC’s website in December 2023.

On December 5, 2023, NSERC announced the launch of several improvements to its Alliance grants. This update is in response to received feedback and builds on the experience with the program over the last four years. Alliance grants were launched in 2019 to encourage university researchers to collaborate with partner organizations from the private, public or not-for-profit sectors. By partnering with organizations that can use their work, researchers can turn their discoveries into impact. In 2022–23, NSERC evaluated the program through surveys, consultations and interviews with stakeholders. The perspective of the community, along with NSERC’s experience to date, shaped the current changes that aim to make the Alliance grants even more simple, flexible and responsive. Changes will help to remove barriers to collaboration, champion more research partnerships, provide efficient and responsive proposal assessment, strengthen relationships with the research community and ensure inclusive research support.

On December 19, 2023, NSERC, in collaboration with CIHR and SSHRC, announced the upcoming launch of the Lab to Market grants, a new tri-agency initiative designed to foster the development of entrepreneurship skills and commercialization capacity within networks in the academic community. The Lab to Market grants initiative stems from the Government of Canada’s commitment in Budget 2022 to launch a new national program to help students and researchers take their work to market. The aim of this initiative is to equip researchers and highly qualified personnel with essential tools, resources and knowledge to transform their academic research into innovations ready for the marketplace.

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Approved by:

**Prof. Alejandro Adem, FRSC  
President**

**Dominique Osterrath  
Vice-President and  
Chief Financial Officer**

Ottawa, Canada  
February 29, 2024

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**5. Statement of authorities (unaudited)**

|  | Fiscal year 2023–24  |  |  | Fiscal year 2022–23  |  |  |
|--|--|--|--|--|--|--|
|  | Total available<br>for use for the<br>year ending<br>March 31, 2024* | Used during the<br>quarter ended<br>December 31,<br>2023 | Year-to-date<br>used at<br>quarter-end | Total available<br>for use for the<br>year ending<br>March 31, 2023* | Used during the<br>quarter ended<br>December 31,<br>2022 | Year-to-date<br>used at<br>quarter-end |
| <i>(in thousands of dollars)</i>   |  |  |  |  |  |  |
| Vote 1—Operating expenditures  | 58,709   | 14,475   | 42,154                                 | 60,087   | 13,890   | 41,989                                 |
| Vote 5—Grants and scholarships   | 1,310,954  | 309,341  | 902,994                                | 1,295,404  | 296,121  | 889,183                                |
| Budgetary statutory authorities  |  |  |  |  |  |  |
| Contributions to the employee benefit plan   | 6,841  | 1,608  | 4,825                                  | 6,279  | 1,539  | 4,616                                  |
| Spending of revenues pursuant to subsection 4 (2) of<br>the <i>Natural Sciences and Engineering Research<br/>Council Act</i> | 203  | -  | -                                      | 203  | -  | -                                      |
| <b>Total budgetary authorities</b>   | <b>1,376,707</b>   | <b>325,424</b>   | <b>949,973</b>                         | <b>1,361,973</b>   | <b>311,550</b>   | <b>935,788</b>                         |

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



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**6. Departmental budgetary expenditures by standard object (unaudited)**

|  | Fiscal year 2023–24                                     |   |                                  | Fiscal year 2022–23                                     |   |                                  |
|--|---|---|----------------------------------|---|---|----------------------------------|
|  | Planned expenditures for the year ending March 31, 2024 | Expended during the quarter ended December 31, 2023 | Year-to-date used at quarter-end | Planned expenditures for the year ending March 31, 2023 | Expended during the quarter ended December 31, 2022 | Year-to-date used at quarter-end |
| <i>(in thousands of dollars)</i>       |   |   |                                  |   |   |                                  |
| <b><u>Expenditures</u></b>             |   |   |                                  |   |   |                                  |
| Personnel                              | 52,182  | 13,677  | 41,362                           | 48,924  | 13,028  | 40,676                           |
| Transportation and communications      | 4,254   | 169   | 549                              | 632   | 164   | 366                              |
| Information                            | 1,171   | 238   | 375                              | 4,607   | 343   | 674                              |
| Professional and special services      | 4,958   | 1,121   | 2,861                            | 9,952   | 1,416   | 3,362                            |
| Rentals                                | 1,388   | 323   | 810                              | 1,276   | 262   | 841                              |
| Repair and maintenance                 | 122   | 31  | 71                               | 114   | 3   | 69                               |
| Utilities, materials and supplies      | 242   | -   | 67                               | 82  | 39  | 92                               |
| Acquisition of machinery and equipment | 1,436   | 524   | 887                              | 982   | 174   | 525                              |
| Other subsidies and payments           | -   | -   | (3)                              | -   | -   | -                                |
| Transfer payments                      | 1,310,954   | 309,341   | 902,994                          | 1,295,404   | 296,121   | 889,183                          |
| <b>Total budgetary expenditures</b>    | <b>1,376,707</b>  | <b>325,424</b>                                      | <b>949,973</b>                   | <b>1,361,973</b>  | <b>311,550</b>                                      | <b>935,788</b>                   |