

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2020

1. Introduction

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. It should be read in conjunction with the 2020-21 [Main Estimates](#). It has not been subject to an external audit or review nor has it been subject to the approval of the Audit Committee.

1.1 Authority, mandate and programs

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. It was created in June 2000 by the *Canadian Institutes of Health Research Act* with a mandate “to excel, according to internationally accepted standards of scientific excellence, in the creation of new knowledge and its translation into improved health for Canadians, more effective health services and products and a strengthened Canadian health care system.”

CIHR invests in high quality health research and health research personnel to help create and apply new knowledge that can improve health outcomes for Canadians, lead to innovative products and services that improve Canada's health care system, and create high quality employment and commercial opportunities.

Further details on CIHR's mandate and programs can be found in [Part II of the Main Estimates](#) and the [Department Plan](#).

1.2 Basis of presentation

This quarterly report has been prepared by CIHR management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CIHR's spending authorities granted by Parliament and those used by CIHR, consistent with the Main Estimates supplied thus far for the 2020-21 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 (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.

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

2. Highlights of fiscal quarter and fiscal year to date (YTD) results

This quarterly financial report reflects the results of the current fiscal period in comparison to the authorities supplied by the Main Estimates to date for fiscal year 2020-21, as well as budget adjustments approved by Treasury Board up to June 30, 2020. Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study supply, the Standing Orders of the House of Commons were amended to extend the study period into the Fall. As such, CIHR has been supplied with 75% of the proposed 2020-21 Main Estimates,

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and is expected to receive full supply in December 2020. This delay in supply does not pose a risk on CIHR's ability to proceed with ongoing financial commitments.

2.1 Financial Highlights – Statement of Authorities (Refer to Section 5)

As of June 30, 2020, total authorities available for use for CIHR have decreased by \$112.7 million (-9.6%) compared to June 30, 2019 as shown in the table below. The decrease to CIHR's total authorities available is due to the \$302.1 million still to be supplied via the Main Estimates offset by:

- \$153.1 million of new funding as part of the Government's COVID-19 response:
 - \$112.7 million of new funding for the pandemic response and health emergencies research plan pursuant to the *Public Health Events of National Concern Payments Act*;
 - \$25.8 million of new funding for emergency research and innovation response measures;
 - \$12.5 million of new funding for mitigation of health, social and economic risks;
 - \$2.1 million of new funding for a pandemic response and health emergencies research plan;
- \$20.3 million increase to the Canada Research Chairs program, mainly due to increased funding from Budget 2018, as well as a recalibration of funding across the Tri-Agencies;
- \$11.5 million increase to new funding first announced in Budget 2018 to enhance support for health research.;
- \$2.1 million increase in net transfers from other government departments for specific programs and initiatives;
- \$1.9 million of new funding for research to eliminate cervical cancer in Canada;
- \$1.5 million increase to new funding first announced in Budget 2019 for Supporting Graduate Students Through Research Scholarships program;
- \$0.4 million increase to new funding first announced in Budget 2019 for Paid Parental Leave for Student Researchers;
- \$0.3 million increase in funding due to various insignificant adjustments;
- \$0.3 million decrease in funding of operating and statutory items due to various adjustments and contributions required by Central Agencies; and
- \$1.4 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate. CIHR received more funds in 2020-21 for Canada Excellence Research Chairs (\$3.1 million) and Business Led Network Centres of Excellence (\$1.9 million) programs and less funds for Centres of Excellence for Commercialization and Research (\$2.7 million), Network Centres of Excellence (\$2.5 million), Canada 150 Research Chairs (\$1.0 million) and College and Community Innovation Program (\$0.2 million).

Total authorities used as of June 30, 2020 increased by \$13.3 million (6.3%) as compared to the prior fiscal year due mainly to the grant payments towards the newly created funding mentioned above. CIHR has used 21.2% (18.0% in 2019-20) of its available authorities through the first quarter. This slight increase is due to the aforementioned delay in supply of the Main Estimates, offset by decreases as a result of payments not yet issued for newly available COVID-19 funding, as well as fewer operating costs as a result of COVID-19 as discussed below.

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Table 2.1.1 – Changes to annual authorities available and authorities used during the first quarter by vote
 (\$ thousands)

	2020-21			2019-20			Variance	
	Annual Authorities available	Q1 Authorities used	% used	Annual Authorities available	Q1 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	45,228	13,193	29.2%	57,806	13,508	23.4%	(21.8%)	(2.3%)
Vote 5 - Grants	900,996	210,466	23.4%	1,113,975	197,123	17.7%	(19.1%)	6.8%
Statutory Authorities – COVID-19	112,700	323	0.3%	N/A	N/A	N/A	N/A	N/A
Statutory Authorities – Employee benefits plan	6,943	1,665	24.0%	6,829	1,701	24.9%	1.7%	(2.1%)
Total	1,065,867	225,647	21.2%	1,178,610	212,332	18.0%	(9.6%)	6.3%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures decreased by \$12.6 million (-21.8%) as at June 30, 2020 compared to the prior fiscal year. The decrease to CIHR’s total authorities available is due to the \$14.5 million still to be supplied via the Main Estimates offset by:

- \$1.8 million of new funding to support CIHR’s role in the Government’s COVID-19 response;
- \$0.9 million increase to new funding first announced in Budget 2018 to enhance support for health research;
- \$0.1 million increase in funding due to various insignificant adjustments;
- \$0.1 million decrease due to various adjustments and contributions required by Central Agencies; and
- \$0.8 million decrease in net transfers from other government departments for specific programs and initiatives.

Authorities used during the first quarter for Vote 1 – Operating Expenditures authorities have decreased by \$0.3 million (-2.3%) as compared to the prior fiscal year. This variance is primarily due to significant decreases in travel and hospitality as these activities have ceased during the COVID-19 pandemic, offset by increases to personnel costs as a result of retroactive salary increases processed late in the prior fiscal year and a higher full time equivalent compared to this time last year. The percentage of operating authorities used has increased from prior year (29.2% and 23.4% respectively) as a result of the aforementioned reduced supply of the Main Estimates, offset by the variances discussed above.

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Vote 5 – Grants

Authorities available for use for Vote 5 – Grants as of June 30, 2020 were \$901.0M and included funding for the following transfer payment programs*:

- Grants for research projects and personnel support – \$800.9 million
- Canada First Research Excellence Fund (CFREF) – \$32.8 million
- Canada Graduate Scholarships (CGS) – \$20.2 million
- Networks of Centres of Excellence (NCE) – \$14.4 million
- Institute support grants – \$10.7 million
- Vanier Canada Graduate Scholarships – \$6.3 million
- Canada Excellence Research Chairs (CERC) – \$5.4 million
- Centres of Excellence for Commercialization and Research (CECR) – \$5.3 million
- Business–Led Networks of Centres of Excellence (BL-NCE) – \$2.8 million
- Canada 150 Research Chairs (C150) – \$2.0 million
- College and Community Innovation Program (CCI) – \$0.2 million

* CIHR's Grants and Awards programs are reflective of the 75% Main Estimate allocation, and the Supplementary Estimates A.

Vote 5 – Grants authorities available for use decreased by \$213.0 million (-19.1%) as of June 30, 2020 compared to the prior fiscal year. The decrease to CIHR's total authorities available is due to the \$287.6 million still to be supplied via the Main Estimates offset by:

- \$38.3 million of new funding as part of the Government's COVID-19 response:
 - \$25.8 million of new funding for emergency research and innovation response measures;
 - \$12.5 million of new funding for mitigation of health, social and economic risks;
- \$20.3 million increase to the Canada Research Chairs program, mainly due to increased funding from Budget 2018, as well as a recalibration of funding across the Tri-Agencies;
- \$10.6 million increase to new funding first announced in Budget 2018 to enhance support for health research;
- \$2.9 million increase in net transfers from other government departments for specific programs and initiatives;
- \$1.9 million of new funding for research to eliminate cervical cancer in Canada;
- \$1.5 million increase to new funding first announced in Budget 2019 for Supporting Graduate Students Through Research Scholarships program;
- \$0.4 million increase to new funding first announced in Budget 2019 for Paid Parental Leave for Student Researchers;
- \$0.1 million increase in funding due to various insignificant adjustments; and
- \$1.4 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate. CIHR received more funds in 2020-21 for Canada Excellence Research Chairs (\$3.1 million) and Business Led Network Centres of Excellence (\$1.9 million) programs and less funds for Centres of Excellence for Commercialization and Research (\$2.7 million), Network Centres of Excellence (\$2.5 million), Canada 150 Research Chairs (\$1.0 million) and College and Community Innovation Program (\$0.2 million).

Grant authorities used during the first quarter of 2020-21 increased by \$13.3 million (6.8%) compared to the prior fiscal year quarter due to increased grant payments resulting from the increased authorities available for use. The percentage of grant authorities used has increased from the prior year (23.4% and 17.7%, respectively) due to the aforementioned reduced supply of the Main Estimates. Grants are typically paid out

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in bi-monthly installments starting in May of each fiscal year, and this timing has not changed during the pandemic.

Overall spending as of June 30, 2020 is consistent with CIHR management expectations.

Statutory Authorities

COVID-19

In the first quarter of 2020-21, CIHR received \$112.7 million of statutory funding for COVID-19 research pursuant to the *Public Health Events of National Concern Payments Act* which was enacted in Part 3 of the *COVID-19 Emergency Response Act*. As of June 30, 2020, \$0.3 million (0.3%) has been distributed. It is expected that the majority of this funding will be disbursed to successful grant applicants in the second quarter of 2020-21.

Contribution to employee benefit plans

Budgetary statutory authorities representing CIHR's contribution to employee benefit plans available for use increased year over year by \$0.1 million (1.7%). The increase to CIHR's statutory authorities available is due to:

- \$0.3 million increase as part of new funding to support CIHR's role in the Government's COVID-19 response; and
- \$0.2 million decrease in funding of statutory items due to various adjustments and contributions required by Central Agencies.

Actual spending for statutory authorities in the first quarter of 2020-21 is 24.0% of the total available authorities for use for the year, which is consistent with CIHR management expectations given that this expenditure is distributed equally throughout the fiscal year.

2.2 Financial Highlights – Statement of Departmental Budgetary Expenditures by Standard Object (Refer to Section 6)

As of June 30, 2020, total authorities available for use by CIHR decreased by \$112.7 million (-9.6%) compared to the prior fiscal year. The decrease to CIHR's total authorities available is due to the \$302.1 million still to be supplied via the Main Estimates. Total authorities used as at June 30, 2020 increased by \$13.3 million (6.3%) compared to the prior fiscal year. These variances are reflected in Table 2.2.1 (where expenditure types are re-grouped into three categories: Personnel, Other Operating Expenditures and Transfer Payments) for further analysis.

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Table 2.2.1 – Changes to annual authorities available and authorities used during the first quarter by expenditure type
 (\$ thousands)

	2020-21			2019-20			Variance	
	Annual Authorities available	Q1 Authorities used	% used	Annual Authorities available	Q1 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	41,740	13,723	32.9%	51,397	12,886	25.1%	(18.8%)	6.5%
Other Operating Expenditures	10,431	1,135	10.9%	13,238	2,323	17.5%	(21.2%)	(51.1%)
Transfer Payments	1,013,696	210,789	20.8%	1,113,975	197,123	17.7%	(9.0%)	6.9%
Total	1,065,867	225,647	21.2%	1,178,610	212,332	18.0%	(9.6%)	6.3%

Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended June 30, 2020 decreased by \$9.7 million (-18.8%) as compared to the prior year. Authorities available for Other Operating Expenditures decreased by \$2.8 million (-21.2%). The decrease to CIHR’s total authorities available is due to the \$11.2 million (Personnel) and \$3.2 million (Other) still to be supplied via the Main Estimates offset by:

- \$1.3 million (Personnel) and \$0.7 million (Other) of new funding to support CIHR’s role in the Government’s COVID-19 response, as previously outlined in Section 2.1;
- \$0.1 million (Personnel) and \$0.8 million (Other) increase to new funding first announced in Budget 2018 to enhance support for health research;
- \$0.1 million (Personnel) increase in funding due to various insignificant adjustments;
- \$0.3 million (Other) decrease due to various adjustments and contributions required by Central Agencies; and
- \$0.8 million (Other) decrease in net transfers from other government departments for specific programs and initiatives.

Personnel authorities used year to date increased by \$0.8 million (6.5%) compared to the prior fiscal year as a result of retroactive salary increases processed late in the prior fiscal year and incremental growth increase to CIHR’s full time equivalent compared to this time last year. The percentage of authorities used for Personnel Expenditures in the first quarter (32.9%) is higher than expectation and prior fiscal year (25.1%) as a result of the aforementioned reduced supply of the Main Estimates.

Other Operating Expenditures used in the first quarter decreased by \$1.2 million (-51.1%) compared to the prior fiscal quarter. The decrease is mainly due to significant decreases in travel and hospitality as these activities have ceased during the COVID-19 pandemic.

Transfer Payments

Authorities available for the period ended June 30, 2020 decreased by \$100.3 million (-9.0%) over the prior year due primarily due to the aforementioned reduced supply of the Main Estimates, offset by additional health research funding discussed in section 2.1.1. Authorities used during the quarter ended June 30, 2020 increased by \$13.7 million (6.9%) due to increased grant payments resulting from expected increased

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authorities available for use. The percentage of grant authorities used in the first quarter of 2020-21 (20.8%) has increased from prior year (17.7%) as a result of the aforementioned reduced supply of the Main Estimates, offset by the majority of funding relating to COVID-19 not being expected to be disbursed until the second quarter of 2020-21.

2.3 Other Non-Financial Highlights

Other non-financial highlights for the first quarter of 2020-21 include:

- On April 22, 2020 the Government announced new funding of \$291.6 million to maintain income support for trainees whose programs have been affected due to the closure of academic research lab. Dr. Michael Strong, President of CIHR, underscored the organization's commitment to continuing to support Canadian health researchers by working with the Minister of Health to assess and respond to the impact of COVID-19, with the objective of ensuring the overall stability of the Canadian health research ecosystem now and going forward.
- On April 23, 2020, the Government announced further funding of nearly \$115.0 million for research focused on the prevention, detection, and treatment of COVID-19, including research on vaccine development, diagnostic tests, and drugs. This research funding augments the first rapid response research funding opportunity announced in March.
- On April 23, 2020 the Government announced the formation of a consortium of Canadian researchers to undertake serosurveillance, a critical next step in tracking the immunity of the population and in providing evidence to inform decision regarding the reopening of the Canadian economy. CIHR will continue to play a critical role through its Institute of Infection and Immunity and Institute of Indigenous Peoples' Health.
- On April 23, 2020 the Prime Minister launched the COVID-19 Immunity Task Force (Task Force). CIHR and the Task Force have agreed to collaborate in supporting a subset of grants from CIHR's COVID-19 May 2020 Rapid Research competition which fall partly or fully within the early priorities of the Task Force. The Task Force will also issue its own calls for applications in the future, as well as subsequent cooperate funding opportunities with CIHR.
- On May 28, 2020 Dr. Michael Strong announced that the Spring 2020 Project Grant competition will proceed in Summer of 2020.

3. Risk and uncertainties

CIHR is funded through voted parliamentary spending authorities and statutory authorities for operating expenditures and transfer payments. As a result, its operations are impacted by any changes to funding approved through Parliament. Delivering programs and services may depend on several risk factors such as economic fluctuations, technological and scientific development, evolving government priorities, and central agency or government-wide initiatives.

CIHR is committed to a disciplined, risk management process in its daily operations. Based on departmental best practices, the Corporate Risk Profile (CRP) is updated bi-annually and provides a proactive response to

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manage and monitor risks to ensure CIHR's ability to operationalize its activities, achieve outcomes and deliver on its mandate.

The Policy on Government Security requires federal departments and agencies to establish business continuity plans (BCP). In response to COVID-19, CIHR activated its BCP that focused its activities on the delivery of critical operations, service and program delivery. As part of the BCP activation, CIHR's risk landscape has shifted, including deferring the launch of CIHR's Strategic Plan until later in the year. CIHR's corporate risk management activities in the first quarter relate to the BCP and the future return to the 160 Elgin workplace, with the understanding that the CRP will be revisited as CIHR deactivates its BCP and returns to steady-state operations. Until that time, CIHR continue to monitor the following risks.

Risk 1 - Developing the New Strategic Plan - *There is a risk that CIHR's development of a strategic plan to achieve its objectives as defined by the CIHR Act may be hindered by gaps in governance and change management practices.*

CIHR has made significant progress in developing a new strategic plan for the Agency. Consultations with internal and external stakeholders were held throughout 2019 and a set of draft priorities has been established by CIHR's Governing Council. Due to the pandemic, the project was paused for two months, which also provided an opportunity to revise the draft priorities based on new issues the pandemic brought to light. As this will require additional internal and external consultations, a new launch date to replace the June 2020 launch that had been intended is being planned. This delay provides additional time to advance work on operational planning to determine how the priorities will be implemented, which had already commenced.

Risk 2 - Effective Digital Solutions - *Failure to deliver and support effective digital and security solutions may result in the inability for the organization to deliver on the objectives as defined by the CIHR Act.*

As seen from the COVID-19 pandemic, CIHR has been able to continue to perform its operations by leveraging its existing IT infrastructure. CIHR is also exploring options to allow for increased bandwidth in order to continue to position CIHR within the technological landscape.

Risk 3 - Human Resources Capacity - *There is a risk that, without proactive strategies and a cohesive organizational design to attract and retain key talent, CIHR will not have the human resource capacity required to deliver on its current programs and services and to respond to future priorities.*

In 2019-20, the Human Resources Branch (HRB) began developing a Human Resources planning framework to assist senior management with identifying current and future human resources needs in order to achieve strategic priorities and deliverables at portfolio and organizational levels. The objective of this collaborative process is to ensure that CIHR has the right people in the right place at the right time. The HR planning framework is intended to operate in tandem with an overall operational planning process. The operational planning process, including the HR planning component, were placed on hold in March 2020 when pandemic measures came into effect. Once the operational planning process is reestablished, so will the Human Resources planning process.

As a means of supporting the organization during the pandemic, HRB established a process whereby critical and emerging staffing needs are identified and prioritized by CIHR senior management to ensure that CIHR delivers on current programs and services. Immediate capacity pressures are therefore being addressed. HRB is also undertaking a staffing capacity analysis that will inform future staffing prioritization processes.

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With a look to future capacity pressures, HRB is reviewing its job classification and compensation systems to maintain competitiveness within the federal labour environment. Completion of the project is scheduled for 2021-22.

As well, HRB is reviewing employment-related policies and business processes, applying mental health and equity lenses to support inclusion and attract diverse talent.

4. Significant changes in relation to operations, personnel and programs

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. CIHR's operations have, like many organizations, been significantly impacted by the COVID-19 pandemic. Since March 13, 2020, all CIHR employees have been required to work remotely with very limited and controlled access to CIHR's office space. CIHR has supported employees through this transition with new information technology solutions and access to new or existing office equipment for use in their homes. Business operations have continued largely as normal for the organization. The duration of the COVID-19 pandemic is unknown at this time.

Approval by Senior Officials

Approved by:

[original signed by]

[original signed by]

Michael J. Strong, MD, FRCPC, FAAN, FCAHS
President

Dalia Morcos Fraser, CPA, CMA
Chief Financial Officer

Ottawa, Canada
August 28, 2020

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5. Statement of Authorities (unaudited)

For the quarter ended June 30, 2020

<i>(in thousands of dollars)</i>	Fiscal year 2020-21			Fiscal year 2019-20		
	Total available for use for the year ending March 31, 2021 *	Used during the quarter ended June 30, 2020	Year to date used at quarter-end	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended June 30, 2019	Year to date used at quarter-end
Vote 1 – Operating expenditures	45,228	13,193	13,193	57,806	13,508	13,508
Vote 5 - Grants	900,996	210,466	210,466	1,113,975	197,123	197,123
Budgetary statutory authorities						
COVID-19 research	112,700	323	323	N/A	N/A	N/A
Contributions to employee benefit plans	6,943	1,665	1,665	6,829	1,701	1,701
Total budgetary authorities	1,065,867	225,647	225,647	1,178,610	212,332	212,332

* 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)

For the quarter ended June 30, 2020

<i>(In thousands of dollars)</i>	Fiscal year 2020-21			Fiscal year 2019-20		
	Planned expenditures for the year ending March 31, 2021 *	Expended during the quarter ended June 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020 *	Expended during the quarter ended June 30, 2019	Year to date used at quarter-end
Expenditures:						
Personnel	41,740	13,723	13,723	51,397	12,886	12,886
Transportation and communications	4,712	11	11	4,701	675	675
Information	75	100	100	-	102	102
Professional and special services	3,504	342	342	5,965	431	431
Rentals	1,734	542	542	1,433	481	481
Repair and maintenance	22	73	73	34	-	-
Utilities, materials and supplies	-	7	7	191	3	3
Acquisition of machinery and equipment	384	41	41	914	3	3
Transfer payments	1,013,696	210,789	210,789	1,113,975	197,123	197,123
Other subsidies and payments	-	19	19	-	628	628
Total budgetary expenditures	1,065,867	225,647	225,647	1,178,610	212,332	212,332

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