



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended December 31, 2017

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Statement outlining results, risks and significant changes in operations, personnel and program

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 Secretariat. The report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*. The quarterly financial report has not been subject to an external audit or review.

1.1 Authority, mandate and program activities

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to:

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, and the production, possession and use of prescribed equipment and prescribed information
- implement measures respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate objective scientific, technical and regulatory information concerning the CNSC's activities, and about how the development, production, possession, transport and use of nuclear substances affect the environment and the health and safety of persons

To deliver on its mandate, the CNSC has six programs:

- Nuclear Fuel Cycle Program
- Nuclear Reactors Program
- Nuclear Substances and Prescribed Equipment Program
- Nuclear Non-Proliferation Program
- Scientific, Technical, Regulatory and Public Information Program
- Internal Services

Further details on the CNSC's authority, mandate and program activities can be found in the *Departmental Plan* and the *Main Estimates (Part II)*.

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying *Statement of authorities* (see appendix) includes the CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the *Main Estimates* and *Supplementary Estimates* for the 2016–17 and 2017–18 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework that is 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 of Canada 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.

The CNSC 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.

1.3 The CNSC's financial regime

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

Pursuant to subsection 21(3) of the NSCA, the CNSC has statutory authority to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations. The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*. This authority to spend revenues provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through a voted budgetary authority from Parliament (Vote 1 – Program expenditures). The voted authority is used to fund activities and certain types of licensees that are, under the regulations, not subject to cost recovery. The regulations

state that licensees, such as hospitals and universities, are exempt from paying fees as these entities exist for the public good. Additionally, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

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

This section highlights the significant items that contributed to the net increase in authorities for the year, and actual expenditures for the quarter and year to date ended December 31, 2017.

2.1 Authorities analysis

As reflected in the table below, the CNSC's total authorities available to spend have increased by \$2.7 million (to \$136.7 million), or 2.0%, as of the end of the third quarter of 2017–18, compared to the same quarter of the previous year.

Authorities <i>(in thousands of dollars)</i>	2017–18	2016–17	Variance
Vote 1 – Program expenditures	39,785	40,029	(244)
Contributions to employee benefit plans	4,191	4,609	(418)
Spending of proceeds from the disposal of surplus Crown assets	0	28	(28)
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	92,702	89,352	3,350
Total budgetary expenditures	136,678	134,018	2,660

Vote 1 – Program expenditures and contributions to employee benefit plans

The authorities decreased by \$0.7 million (to \$44.0 million), or 1.5%. The decrease is mainly due to the:

- \$0.5 million decrease due to the sunset of funding for the government-wide Single Window Initiative, which has been completed and has streamlined the process to share commercial import data between the Government of Canada and the import community
- \$0.4 million decrease in contributions to the employee benefit plans (EBP) due to a decrease in the rate applied by Treasury Board Secretariat to allocate EBP costs
- \$0.2 million increase in operating budget carry-forward

Budgetary statutory authority – Expenditures pursuant to subsection 21(3) of the NSCA

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's forecast of yearly expenditures for activities subject to cost-recovery fees. The total authorities have increased by \$3.4 million (to \$92.7 million), or 3.7%, due to cost-of-living adjustments, including salaries and wages, as well as a growth in revenues related to nuclear substances used for commercial and industrial purposes. The CNSC continues to phase in increases to fully recover the costs for these activities. The increase is also attributable to forecasted increased regulatory oversight activities related to vendor design reviews for small modular reactors.

2.2 Expenditure analysis

Statement of authorities (see appendix)

Vote 1 – Program expenditures

The authorities used during the third quarter (Q3) of 2017–18 and for the year to date (YTD) have increased by \$1.2 million (to \$10.2 million), or 12.9%, and by \$0.9 million (to \$26.7 million), or 3.5%, respectively. The Q3 and YTD increases are primarily attributable to an increase in transfer payments for contributions to the Research and Support Program and the Participant Funding Program, as well as an increase in the acquisition of machinery and equipment due to the timing of expenditures compared with 2016–17.

Contribution to employee benefit plans

The authorities used during Q3 of 2017–18 and for the YTD, which are monthly installments of the *Main Estimates* EBP amount, have decreased by \$0.1 million (to \$1.0 million), or 9.1%, and by \$0.3 million (to \$3.1 million), or 9.1%, respectively. This is due to a decrease in the required rate of contribution in the 2017–18 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the NSCA

The authorities used during Q3 of 2017–18 and for the YTD have increased by \$1.0 million (to \$21.4 million), or 5.1%, and by \$2.6 million (to \$62.4 million), or 4.4%, respectively. The increases in authorities used are primarily due to increases in regulatory oversight activity, cost-of-living adjustments, including salaries and wages, as well as an increase in revenues related to license-fee increases for nuclear substances used for commercial and industrial purposes.

Budgetary expenditures by standard object (see appendix)

Planned expenditures

The total planned expenditures for the year have increased by \$2.7 million (to \$136.7 million), or 2.0%, compared to the previous year. The increase in planned expenditures for the year is due to the:

- \$3.6 million increase in personnel costs due to projected salary increases and costs for the workforce renewal initiative, which is part of the CNSC’s comprehensive workforce strategy to ensure workforce sustainability by addressing the potential impact of attrition and ensuring effective knowledge transfer. The increase is partially offset by a decrease in professional and special services as consultants are replaced by salaried personnel
- \$0.5 million increase in transfer payments primarily attributable to a forecast increase in contributions for the Research and Support Program and the Participant Funding Program
- \$1.4 million decrease in professional and special services due to an anticipated reduction in the use of information technology and telecommunications consultants

Expended during the quarter

The total actual budgetary expenditures in Q3 of 2017–18 increased by \$2.1 million (to \$32.6 million), or 6.9%, compared to the same quarter of the previous year. The increase in expenditures is due to the:

- \$1.1 million increase in professional and special services due to timing differences, compared with 2016-17, of the payments to Shared Services Canada (SSC) for information technology expenses
- \$0.4 million increase in transfer payments due to an increase in contributions for the Research and Support Program
- \$0.2 million increase in personnel costs due to the workforce renewal initiative and salary step increases
- \$0.4 million net increase in other expenditure categories

Year to date used at quarter

The YTD actual budgetary expenditures increased by \$3.2 million (to \$92.2 million), or 3.6%, when compared to the previous year. The increase is due to the:

- \$0.7 million increase in personnel costs due to the workforce renewal initiative and salary step increases
- \$0.6 million increase in transfer payments due to an increase in contributions for the Research and Support Program and the Participant Funding Program
- \$0.4 million increase in rentals due to timing differences for the payments of renewals of software licences
- \$0.4 million increase in transportation and communications due to increases in relocation and travel
- \$0.4 million increase in repair and maintenance due to timing differences for the payments for regular maintenance of the headquarters building
- \$0.3 million increase in professional and special services due to timing differences, compared with 2016–17, of the payments to Shared Services Canada (SSC) for information technology expenses, partially offset by a decrease in the use of information technology and telecommunications consultants
- \$0.3 million increase in the acquisition of machinery and equipment due to timing differences for software development costs
- \$0.1 million net increase in other expenditure categories

3. Risks and uncertainties

Most of the CNSC's expenditures are funded through revenue from fees received from the industry. While the authority to spend revenues provides a sustainable and timely funding regime to address the changes in the regulatory oversight workload, it also poses a financial risk due to changing industry patterns and global economies. The CNSC works to mitigate such risk by increasing its use of term employees, a practice that increases workforce flexibility.

The CNSC continues to review its strategic planning framework to reflect changes taking place in the nuclear sector, and to reflect and anticipate the needs of a changing industry. Recent changes in the nuclear sector include:

- delays in proceeding with new uranium mine projects
- the refurbishments of the Darlington and Bruce nuclear generating stations
- Ontario Power Generation's (OPG's) plan to pursue continued operations at the Pickering Nuclear Generating Station through 2024
- the licensing process for OPG's proposed Deep Geologic Repository for low-to-intermediate-level radioactive waste

- continued progress towards the realization of small modular reactors, resulting in increased demand for pre-licensing vendor design reviews and the applicable regulatory framework development

The CNSC is currently implementing a workforce renewal initiative, part of a comprehensive strategy to ensure workforce sustainability, by addressing the potential impact of attrition and ensuring effective knowledge transfer. The outlook for CNSC regulatory oversight requirements is stable.

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

There have been no significant changes in relation to operations, personnel and programs during the third quarter of 2017–18.

5. Approval by senior officials

Approved by:

Original signed by

Michael Binder
President

Original signed by

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada
Date: Feb 23 2018

Appendix

Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2017–18			Fiscal year 2016–17		
	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end	Total available for use for the year ended March 31, 2017*	Used during the quarter ended December 31, 2016	Year to date used at quarter-end
Vote 1 – Program expenditures	39,785	10,198	26,676	40,029	9,029	25,776
Budgetary statutory authorities						
Contribution to employee benefit plans	4,191	1,048	3,143	4,609	1,153	3,457
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	28	-	-
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	92,702	21,380	62,410	89,352	20,350	59,802
Total budgetary authorities	136,678	32,626	92,229	134,018	30,532	89,035
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	136,678	32,626	92,229	134,018	30,532	89,035

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

Departmental budgetary expenditures by standard object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2017–18			Fiscal year 2016–17		
	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end
Expenditures:						
Personnel	97,300	22,543	67,557	93,696	22,381	66,861
Transportation and communications	5,676	1,577	4,283	5,944	1,671	3,835
Information	1,269	295	776	1,414	153	709
Professional and special services	18,053	5,146	11,064	19,426	4,039	10,765
Rentals	5,616	967	3,450	5,499	909	3,080
Repair and maintenance	1,842	94	787	1,795	89	409
Utilities, materials and supplies	794	227	421	928	126	402
Acquisition of machinery and equipment	3,294	1,033	2,143	3,025	912	1,851
Transfer payments	2,796	705	1,718	2,276	255	1,120
Other subsidies and payments	38	39	30	15	(3)	3
Total gross budgetary expenditures	136,678	32,626	92,229	134,018	30,532	89,035
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	136,678	32,626	92,229	134,018	30,532	89,035

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