



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended September 30, 2018 (Unaudited)

November 2018



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended September 30, 2018

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

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 report has been reviewed by the Departmental Audit Committee.

1.1 Authority and mandate

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

Further details on the CNSC's authority, mandate and Departmental Results Framework 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 table (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 both the 2017–18 and 2018–19 fiscal years, as well as transfers from Treasury Board central votes that are approved as at the end of the quarter. 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 through annually approved limits, appropriation acts or legislation in the form of statutory spending authority for specific purposes.

The CNSC 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.

1.3 The CNSC's financial structure

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, under the regulations, are 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) and public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and 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 September 30, 2018.

Highlights of the fiscal quarter and the fiscal year-to-date results (\$ thousands)

	2018–19 Budgetary authorities to March 31, 2019	2017–18 Budgetary authorities to March 31, 2018	Variance in budgetary authorities	Year-to-date expenditures as at Q2 2018–19	Year-to-date expenditures as at Q2 2017–18	Variance in expenditures
Vote 1 – Program expenditures	39,985	39,785	200	18,604	16,478	2,126
Statutory:						
Contributions to employee benefit plans	4,095	4,191	(96)	2,048	2,095	(47)
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,530	92,243	6,287	43,556	41,030	2,526
Total statutory authorities	102,625	96,434	6,191	45,604	43,125	2,479
Total	142,610	136,219	6,391	64,208	59,603	4,605

2.1 Statement of voted and statutory authorities

The CNSC's total authorities available to spend in 2018–19, as of September 30, have increased by \$6.4 million (to \$142.6 million) or 4.7%.

The voted authorities increased by \$0.2 million (to \$40.0 million) or 0.5%, due to compensation adjustments used to fund salary increases and meet obligations under new collective agreements.

Contributions to employee benefit plans (EBP) decreased by \$0.1 million (to \$4.1 million) due to a reduction in the plan rate applied by Treasury Board Secretariat.

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's expenditures for activities subject to cost recovery fees. This authority rose by \$6.3 million (to \$98.5 million) or 6.8%, due to salary increases and staffing increases for major licensing hearings and other regulatory efforts.

2.2 Expenditure analysis

As illustrated in the appended Statement of authorities table, Q2 expenditures increased by \$2.8 million (to \$34.0 million) or 9.0%, and year-to-date (YTD) expenditures rose by \$4.6 million (to \$64.2 million) or 7.7%. The Q2 and YTD Vote 1 expenditures have increased by \$1.2 million (to \$9.9 million) or 14.2%, and by \$2.1 million (to \$18.6 million) or 12.9% respectively, while expenditures pursuant to subsection 21(3) of the NSCA have increased by \$1.6 million (to \$23.1 million) or 7.4%, and by \$2.5 million (to \$43.6 million) or 6.2%, respectively. Contributions to employee benefit plans are unchanged at \$1.0 million for Q2 and \$2.0 million YTD.

As illustrated in the appended table of departmental budgetary expenditures by standard object, the increase in expenditures of \$2.8 million for Q2 and \$4.6 million YTD by standard object is due to the following:

- \$2.0 million increase (\$3.5 million YTD) in personnel costs due to collective agreement settlements implemented in Q4 of 2017–18 covering four years up to March 31, 2018 for non-management personnel
- \$1.7 million increase (\$2.4 million YTD) in professional and special services due to costs for the replacement of the CNSC's current financial and material management system
- \$0.7 million increase (\$0.3 million YTD) in transfer payments due to timing differences for contributions for the Research and Support Program
- \$1.4 million decrease (\$1.3 million YTD) in rentals due to timing differences for payments for the rental of buildings
- \$0.2 million net decrease (\$0.3 million YTD) 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:

- reduced level of regulatory activity in the uranium mining sector
- the Ontario Power Generation (OPG) 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 toward realizing 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 as part of a comprehensive strategy to protect core organizational capabilities critical to the CNSC's mandate. 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 second quarter of 2018–19.

5. Approval by senior officials

Approved by:

Original signed by

Rumina Velshi
President

Ottawa, Canada
Date: November 20, 2018

Original signed by

Stéphane Cyr
Chief Financial Officer

Appendix

Statement of authorities (unaudited)

(in thousands of dollars)	Fiscal year 2018–19			Fiscal year 2017–18		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year to date used at quarter end	Total available for use for the year ended March 31, 2018*	Used during the quarter ended September 30, 2017	Year to date used at quarter end
Vote 1 – Program expenditures	39,985	9,910	18,604	39,785	8,679	16,478
Budgetary statutory authorities						
Contribution to employee benefit plans	4,095	1,024	2,048	4,191	1,047	2,095
Expenditures pursuant to subsection 21(3) of the Nuclear Safety and Control Act	98,530	23,058	43,556	92,243	21,462	41,030
Total budgetary authorities	142,610	33,992	64,208	136,219	31,188	59,603
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	142,610	33,992	64,208	136,219	31,188	59,603

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

Departmental budgetary expenditures by standard object (unaudited)

(in thousands of dollars)	Fiscal year 2018–19			Fiscal year 2017–18		
	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended September 30, 2018	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended September 30, 2017	Year to date used at quarter end
Expenditures:						
Personnel	102,473	24,333	48,539	96,515	22,375	45,014
Transportation and communications	5,595	1,362	2,638	5,676	1,322	2,706
Information	1,257	223	459	1,269	180	481
Professional and special services	18,930	5,667	8,327	17,553	3,968	5,918
Rentals	5,923	493	1,135	5,816	1,928	2,483
Repair and maintenance	1,789	366	504	1,842	598	693
Utilities, materials and supplies	742	140	225	794	141	194
Acquisition of machinery and equipment	4,098	508	916	3,894	556	1,110
Transfer payments	1,770	899	1,305	2,832	225	1,013
Other subsidies and payments	33	1	160	28	(105)	(9)
Total gross budgetary expenditures	142,610	33,992	64,208	136,219	31,188	59,603
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	142,610	33,992	64,208	136,219	31,188	59,603

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