



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended June 30, 2019 (Unaudited)

August 2019



**Canadian Nuclear Safety Commission Quarterly Financial Report
for the Quarter Ended June 30, 2019**

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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 2018–19 and 2019–20 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 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 within which 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 received 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 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 June 30, 2019.

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

	2019–20 Budgetary authorities to March 31, 2020	2018–19 Budgetary authorities to March 31, 2019	Variance in budgetary authorities	Year-to-date expenditures as at Q1 2019–20	Year-to-date expenditures as at Q1 2018–19	Variance in expenditures
Vote 1 – Program expenditures	39,136	38,177	959	8,380	8,694	(314)
Statutory:						
Contributions to employee benefit plans	4,295	4,095	200	1,074	1,024	50
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	101,214	98,530	2,684	20,453	20,498	(45)
Total statutory authorities	105,509	102,625	2,884	21,527	21,522	5
Total	144,645	140,802	3,843	29,907	30,216	(309)

2.1 Statement of voted and statutory authorities

The CNSC's total authorities available to spend in 2019–20, as of June 30, have increased by \$3.8 million (to \$144.6 million) or 2.7%.

The voted authorities increased by \$0.9 million (to \$39.1 million) or 2.5% as funding was received from Treasury Board Secretariat for negotiated salary adjustments for collective agreements.

Contributions to employee benefit plans increased by \$0.2 million (to \$4.3 million) due to an increased salary budget resulting from negotiated salary adjustments for collective agreements.

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 \$2.7 million (to \$101.2 million) or 2.7%, as a result of projected

salary increases on cost recoverable fees and an increase related to formula based license-fees for nuclear substances used for commercial and industrial purposes.

2.2 Expenditure analysis

As illustrated in the appended statement of authorities table, from the comparable period in 2018–19, Q1 expenditures have decreased by \$0.3 million (to \$29.9 million) or 1.0%. The Q1 Vote 1 expenditures have decreased by \$0.3 million (to \$8.4 million) or 3.6%, while expenditures pursuant to subsection 21(3) of the NSCA have decreased by \$0.1 million (to \$20.4 million) or 0.2%. Contributions to employee benefit plans have increased by \$0.1 million (to \$1.1 million) or 4.9% for Q1.

As illustrated in the appended table of departmental budgetary expenditures by standard object, the decrease in expenditures of \$0.3 million for Q1 and year-to-date by standard object is due to the following:

- \$0.5 million increase in professional and special services primarily due to timing differences compared with 2018-19 for payments to Shared Services Canada for information technology services
- \$0.2 million increase in rentals due to timing differences for payments for the rental of buildings
- \$0.4 million decrease in personnel costs due to lower costs for overtime and retroactive salary payments processed in Q1 of 2018–19
- \$0.3 million decrease in transportation and communication costs due to lower expenditures on international travel
- \$0.2 million decrease in other subsidies and payments due to a reduction in salary overpayments
- \$0.1 million net decrease 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, specifically:

- the reduced level of regulatory activity in the uranium mining sector
- the fact that Ontario Power Generation's Pickering Nuclear Generating Station was licensed in 2018 to cease commercial operations in 2024 and to decommission operations throughout the remainder of the license up to 2028
- continued industry interest in small modular reactors
- increasing Indigenous consultation and engagement

The CNSC assesses the resource impacts of changes on an ongoing basis through formal planning and budgeting processes in order to ensure agility and sustainability given evolving market needs.

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 first quarter of 2019–20.

5. Approval by senior officials

Approved by:

Original signed by

Rumina Velshi
President

Original signed by Daniel Schnob for

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada

Date: August 20, 2019

Appendix

Statement of authorities (unaudited)

(in thousands of dollars)	Fiscal year 2019–20			Fiscal year 2018–19		
	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	Total available for use for the year ended March 31, 2019*	Used during the quarter ended June 30, 2018	Year to date used at quarter end
Vote 1 – Program expenditures	39,136	8,380	8,380	38,177	8,694	8,694
Budgetary statutory authorities						
Contribution to employee benefit plans	4,295	1,074	1,074	4,095	1,024	1,024
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	101,214	20,453	20,453	98,530	20,498	20,498
Total budgetary authorities	144,645	29,907	29,907	140,802	30,216	30,216
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	144,645	29,907	29,907	140,802	30,216	30,216

*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 2019–20			Fiscal year 2018–19		
	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended June 30, 2019	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended June 30, 2018	Year to date used at quarter end
Expenditures:						
Personnel	108,280	23,804	23,804	102,473	24,206	24,206
Transportation and communications	5,302	999	999	5,331	1,276	1,276
Information	1,212	272	272	1,198	236	236
Professional and special services	18,065	3,201	3,201	18,038	2,660	2,660
Rentals	5,030	885	885	5,644	642	642
Repair and maintenance	1,299	74	74	1,705	138	138
Utilities, materials and supplies	615	81	81	707	85	85
Acquisition of machinery and equipment	3,040	289	289	3,905	408	408
Transfer payments	1,770	304	304	1,770	406	406
Other subsidies and payments	32	(2)	(2)	31	159	159
Total gross budgetary expenditures	144,645	29,907	29,907	140,802	30,216	30,216
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	144,645	29,907	29,907	140,802	30,216	30,216

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