



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

November 2019



**Canadian Nuclear Safety Commission Quarterly Financial Report
for the Quarter Ended September 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 (YTD) ended September 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	YTD expenditure s as at Q2 2019–20	YTD expenditure s as at Q2 2018–19	Variance in expenditures
Vote 1 – Program expenditures	40,283	39,985	298	17,891	18,604	(713)
Statutory:						
Contributions to employee benefit plans	4,295	4,095	200	2,148	2,048	100
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	101,214	98,530	2,684	43,392	43,556	(164)
Total statutory authorities	105,509	102,625	2,884	45,540	45,604	(64)
Total	145,792	142,610	3,182	63,431	64,208	(777)

2.1 Statement of voted and statutory authorities

The CNSC's total authorities available to spend in 2019–20, as of September 30, have increased by \$3.2 million (to \$145.8 million) or 2.2%.

The voted authorities increased by \$0.3 million (to \$40.3 million) or 0.7%, as funding was received from Treasury Board Secretariat for negotiated salary adjustments for collective agreements, partially offset by a decrease in operating budget carry forward.

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, Q2 expenditures decreased by \$0.5 million (to \$33.5 million) or 1.4%, and YTD expenditures decreased by \$0.8 million (to \$63.4 million) or 1.2%. The Q2 and YTD Vote 1 expenditures have decreased by \$0.4 million (to \$9.5 million) or 4.0%, and by \$0.7 million (to \$17.9 million) or 3.8% respectively, while expenditures pursuant to subsection 21(3) of the NSCA have decreased by \$0.1 million (to \$22.9 million) or 0.5%, and by \$0.2 million (to \$43.4 million) or 0.4%. The Q2 contributions to employee benefits plans were unchanged at \$1.1 million while YTD expenditures increased by \$0.1 million (to \$2.1 million).

As illustrated in the appended table of departmental budgetary expenditures by standard object, the decrease in expenditures of \$0.5 million for Q2 and \$0.8 million YTD by standard object is due to the following:

- \$0.8 million increase (\$1.0 million YTD) in rentals due to timing differences of payments for the rental of space for accommodations
- \$0.9 million decrease (\$0.3 million YTD) in professional and special services due to costs incurred in the second quarter of 2018-19 for the replacement of the CNSC's financial and material management system
- \$0.2 million decrease (\$0.6 million YTD) in personnel costs due to lower costs for overtime, severance pay and vacation leave upon termination
- \$0.1 million decrease (\$0.2 million YTD) in transfer payments due to timing differences in providing contributions that fund the Research and Support Program
- \$0.1 million decrease (\$0.2 million YTD) in repair and maintenance due to facilities project costs incurred in 2018-19
- \$0.5 million net YTD 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 through the 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

On August 14, 2019, the CNSC signed a new collective agreement with the Nuclear Regulatory (NUREG) group, effective from April 1, 2018 to March 31, 2022.

5. Approval by senior officials

Approved by:

Original signed by

Rumina Velshi
President

Original signed by

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada

Date: *November 25, 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 September 30, 2019	YTD used at quarter-end	Total available for use for the year ended March 31, 2019*	Used during the quarter ended September 30, 2018	YTD used at quarter-end
Vote 1 – Program expenditures	40,283	9,511	17,891	39,985	9,910	18,604
Budgetary statutory authorities						
Contribution to employee benefit plans	4,295	1,074	2,148	4,095	1,024	2,048
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	101,214	22,939	43,392	98,530	23,058	43,556
Total budgetary authorities	145,792	33,524	63,431	142,610	33,992	64,208
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	145,792	33,524	63,431	142,610	33,992	64,208

*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 September 30, 2019	YTD used at quarter end	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended September 30, 2018	YTD used at quarter-end
Expenditures:						
Personnel	109,386	24,090	47,894	102,473	24,333	48,539
Transportation and communications	5,302	1,436	2,435	5,595	1,362	2,638
Information	1,212	253	525	1,257	223	459
Professional and special services	18,106	4,805	8,006	18,930	5,667	8,327
Rentals	5,030	1,297	2,182	5,923	493	1,135
Repair and maintenance	1,299	220	294	1,789	366	504
Utilities, materials and supplies	615	161	242	742	140	225
Acquisition of machinery and equipment	3,040	399	688	4,098	508	916
Transfer payments	1,770	790	1,094	1,770	899	1,305
Other subsidies and payments	32	73	71	33	1	160
Total gross budgetary expenditures	145,792	33,524	63,431	142,610	33,992	64,208
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	145,792	33,524	63,431	142,610	33,992	64,208

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