



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended June 30, 2020 (Unaudited)

August 2020



**Canadian Nuclear Safety Commission Quarterly Financial Report
for the Quarter Ended June 30, 2020**

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Canadian Nuclear Safety Commission
280 Slater Street
P.O. Box 1046, Station B
Ottawa, ON K1P 5S9
CANADA

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)

Fax: 613-995-5086

Email: cnscccsn@canada.ca

Website: nuclearsafety.gc.ca

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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 2019–20 and 2020–21 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, and the balance comes 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, because 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 work done to update the NSCA and associated regulations.

Contributions to employee benefit plans come from 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 change in authorities and actual expenditures for the quarter and year to date (YTD) ended June 30, 2020.

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

	2020–21 Budgetary authorities to March 31, 2021	2019–20 Budgetary authorities to March 31, 2020	Variance in budgetary authorities	YTD expenditures as at Q1 2020–21	YTD expenditures as at Q1 2019–20	Variance in expenditures
Vote 1 – Program expenditures	30,392	39,136	(8,744)	8,044	8,380	(336)
Statutory:						
Contributions to employee benefit plans	4,359	4,295	64	1,090	1,074	16
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,953	101,214	(2,261)	19,641	20,453	(812)
Total statutory authorities	103,312	105,509	(2,197)	20,731	21,527	(796)
Total	133,704	144,645	(10,941)	28,775	29,907	(1,132)

2.1 Statement of voted and statutory authorities

The CNSC's total authorities available to spend in 2020–21 as of June 30 have decreased by \$10.9 million (to \$133.7 million), or 7.6%.

The voted authorities have decreased by \$8.7 million (to \$30.4 million) or 22.3%, because to date, the CNSC has only received 9/12 of the full authority requested. The CNSC expects to receive the remaining 3/12 (or \$10.1 million) of the voted authority when the Main Estimates are tabled later in the fiscal year. This decrease is partially offset by funding received from the Treasury Board Secretariat for negotiated salary adjustments.

Contributions to employee benefit plans increased by \$0.1 million (to \$4.4 million) or 1.5%, primarily due to increases in authorities for personnel costs 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 decreased by \$2.3 million (to \$98.9 million) or 2.2%, as a result of the implementation of internal cost containment measures.

2.2 Expenditure analysis

As illustrated in the appended statement of authorities table, Q1 expenditures have decreased by \$1.1 million (to \$28.8 million) or 3.8%. Q1 Vote 1 expenditures have decreased by \$0.3 million (to \$8.1 million), or 4.0%, while expenditures pursuant to subsection 21(3) of the NSCA have decreased by \$0.8 million (to \$19.6 million), or 4.0%. Contributions to employee benefit plans are unchanged at \$1.1 million.

As illustrated in the appended table of departmental budgetary expenditures by standard object, the decrease in expenditures of \$1.1 million for Q1 and YTD by standard object is due to the following:

- \$1.0 million decrease in transportation and communications as a result of COVID-19 travel restrictions
- \$0.5 million decrease in professional and special services due to decreases in the use of information technology and telecommunications consultants, management consultants and training consultants
- \$0.4 million decrease in rentals due to the timing of payments for the rental of buildings
- \$0.3 million increase in personnel costs as a result of negotiated salary adjustments
- \$0.3 million increase in the acquisition of machinery and equipment primarily due to the purchase of computer equipment to enable staff to work remotely
- \$0.2 million increase in information costs due to the timing of payments for electronic subscriptions

3. Risks and uncertainties

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 to be a pandemic. On March 15, 2020, the CNSC activated its Business Continuity Plan. The CNSC introduced a number of health and safety measures in response to COVID-19, such as equipping its workforce to work remotely and restricting travel. The CNSC continues to carry out regulatory activities. The CNSC assessed the impact of COVID-19 on its revenues and determined that, as of the end of Q1, there is no need to request program integrity funding.

The CNSC continues to fulfill its mandate and realize its strategic priorities, while ensuring the health of its employees. The CNSC's approach going forward will be informed by the direction of the Public Health Agency of Canada and Health Canada, guided by the Office of the Chief Human Resources Officer and Treasury Board Secretariat, and it will take into consideration best practices from industry and government.

The CNSC continues to review its strategic planning framework in response to COVID-19 and to reflect changes taking place in the nuclear sector. It also continues 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 licence, up to 2028
- continued industry interest in small modular reactors
- increasing Indigenous consultation and engagement

The CNSC assesses the impact of changes on resources continually through formal planning and budgeting processes to ensure agility and sustainability, given COVID-19 and evolving market needs.

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

As outlined above, the CNSC has changed its approach to operations by enabling a remote work environment and minimizing travel to ensure the health and safety of its employees at this time.

5. Approval by senior officials

Approved by:

Rumina Velshi
President

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada
Date:

Appendix

Statement of authorities (unaudited)

(in thousands of dollars)	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	YTD used at quarter-end	Total available for use for the year ended March 31, 2020*	Used during the quarter ended June 30, 2019	YTD used at quarter-end
Vote 1 – Program expenditures **	30,392	8,044	8,044	39,136	8,380	8,380
Budgetary statutory authorities						
Contribution to employee benefit plans	4,359	1,090	1,090	4,295	1,074	1,074
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,953	19,641	19,641	101,214	20,453	20,453
Total budgetary authorities	133,704	28,775	28,775	144,645	29,907	29,907
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	133,704	28,775	28,775	144,645	29,907	29,907

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

**Authorities for Vote 1 – Program expenditures include only 9/12 of full authority for 2020–21 as of Q1

Departmental budgetary expenditures by standard object (unaudited)

(in thousands of dollars)	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	YTD used at quarter-end	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended June 30, 2019	YTD used at quarter-end
Expenditures						
Personnel	101,676	24,138	24,138	108,280	23,804	23,804
Transportation and communications	5,340	9	9	5,302	999	999
Information	1,021	468	468	1,212	272	272
Professional and special services	15,186	2,687	2,687	18,065	3,201	3,201
Rentals	4,132	473	473	5,030	885	885
Repair and maintenance	1,120	90	90	1,299	74	74
Utilities, materials and supplies	437	30	30	615	81	81
Acquisition of machinery and equipment	3,419	576	576	3,040	289	289
Transfer payments	1,327	307	307	1,770	304	304
Other subsidies and payments	46	(3)	(3)	32	(2)	(2)
Total gross budgetary expenditures	133,704	28,775	28,775	144,645	29,907	29,907
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	133,704	28,775	28,775	144,645	29,907	29,907

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