



# Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended June 30, 2014

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August 2014





## **Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended June 30, 2014**

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To request a copy of the document in English or French, please contact:

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

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)  
Facsimile: 613-995-5086  
Email: [info@cnsccsn.gc.ca](mailto:info@cnsccsn.gc.ca)  
Web site: [nuclearsafety.gc.ca](http://nuclearsafety.gc.ca)  
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# Canadian Nuclear Safety Commission

## 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, 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 scientific, technical and regulatory information concerning the CNSC's activities, and the impact of the development, production, possession, transport and use of nuclear substances on the environment and the health and safety of persons

To deliver on its mandate, the CNSC has four programs: Regulatory Framework, Licensing and Certification, Compliance and Internal Services.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* 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* 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 2013–14 and 2014–15 fiscal years. 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 moneys 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 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 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.

In Budget 2013, the CNSC received statutory authority – pursuant to subsection 21(3) of the *Nuclear Safety and Control Act* (NSCA) – 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* (CRFR). 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.

In addition to the statutory authority, the CNSC is also funded through the voted budgetary authority from Parliament (Vote 1 – Program expenditures). Voted authority provides funding for activities exempt from paying fees under the CRFR (i.e., hospitals and universities), 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 or decrease in authorities for the year, and actual expenditures for the quarter and year-to-date ended June 30, 2014.

### 2.1 Authorities analysis

As reflected in the following authorities table, the CNSC's total authorities available to spend have decreased by \$1.6 million (to \$126.1 million), or 1.3% as of the end of the first quarter of 2014–15, compared to the same quarter of the previous year. The authorities do not include any amounts related to one-time transition payments of \$3.1 million – for implementing salary payment in arrears by the Government of Canada – as the CNSC has not yet received the authorities for this amount.

<b>Authorities</b> <i>(in thousands of dollars)</i>	<b>2014–15</b>	<b>2013–14</b>	<b>Variance</b>
<b>Vote 1 – Program expenditures</b>	<b>36,578</b>	<b>34,977</b>	<b>1,601</b>
<b>Contributions to employee benefit plans</b>	<b>4,167</b>	<b>4,358</b>	<b>(191)</b>
<b>Expenditures pursuant to paragraph 21(3) of the Nuclear Safety and Control Act</b>	<b>85,376</b>	<b>88,403</b>	<b>(3,027)</b>
<b>Total budgetary expenditures</b>	<b>126,121</b>	<b>127,738</b>	<b>(1,617)</b>

### Vote 1 – Program expenditures and contributions to employee benefit plans (EBP)

The total authorities increased by \$1.4 million (to \$40.7 million), or 3.6%. The increase is mainly due to:

- \$1.1 million increase in funding, as a result of the completion of the repayment of the loan to Treasury Board Secretariat (TBS) Management Reserve for facilities improvements to CNSC's Telesat location

- \$0.9 million increase associated to the Single Window horizontal initiative under the *Perimeter Security and Economic Competitiveness* (also known as “Beyond the Border Action Plan”)
- \$0.2 million decrease in contributions to EBP
- \$0.2 million decrease for the transfer of workplace technology devices initiative to Shared Services Canada
- \$0.2 million decrease for the transfer to Department of Foreign Affairs, Trade and Development to fund CNSC employee on a mission abroad

### **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 decreased by \$3.0 million (to \$85.4 million), or 3.4% – mainly due to a decrease in forecasted expenditures as a result of the shutdown of the Gentilly-2 Nuclear Generating Station (NGS), as well as a decrease in forecasted special projects.

## **2.2 Expenditure analysis**

### **Statement of Authorities**

#### **Vote 1 – Program expenditures**

The authorities used during the first quarter (Q1) of 2014–15 have decreased by \$2.2 million (to \$10.5 million), or 17.5%, mainly due to:

- decrease in salary expenditures, due to the payout of the accumulation of one-time severance pay for voluntary departures in the first quarter of 2013–14
- decrease in rentals, due to timing of payments for rental of buildings in Q1 of 2014–15, compared with Q1 of 2013–14
- decrease in acquisition of machinery and equipment, due to timing of expenditures in Q1 of 2014–15, compared with Q1 of 2013–14
- increase in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada

#### **Contribution to employee benefit plans (EBP)**

The authorities used during the first quarter of 2014–15, which are monthly installments of the *Main Estimates* employee benefit plans (EBP) amount, have decreased by \$0.1 million (to \$1.0 million), or 4.3%, due to a decrease in the 2014–15 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.



## **Expenditures pursuant to subsection 21(3) of the NSCA**

The authorities used during the first quarter of 2014–15 have decreased by \$0.7 million (to \$17.9 million), or 3.8%, mainly due to a decrease in salary expenditures which resulted from a 20 full-time equivalents (FTEs) reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS); the reduction was partially offset by increased personnel costs, due to employee step increases. The authorities used do not include any costs due to the one-time transition payment for implementing salary payment in arrears by the Government of Canada, as the entire amount is included under Vote 1 – Program expenditures.

### **Budgetary Expenditures by Standard Object**

#### **Planned expenditures**

The total planned expenditures for the year have decreased by \$1.6 million (to \$126.1 million), or 1.3%, when compared to the previous year. The decrease in planned expenditures for the year is due to:

- \$1.3 million decrease in personnel costs, due to the reduction in planned FTEs as a result of the shutdown of the Gentilly-2 NGS (partially offset by increased personnel costs, due to employee step increases)
- \$1.6 million decrease in transportation and communications costs, due mainly to telephone costs now being paid for by Shared Services Canada and an adjustment to the annual forecast from 2013–14
- \$0.8 million increase in rentals, due to increases in accommodation costs and a change in coding for license and maintenance software fees
- \$1.2 million increase in acquisition of machinery and equipment, due to a forecasted increase in planned CNSC projects
- \$0.7 million decrease in other expenditure categories

#### **Expended during the quarter**

The total actual budgetary expenditures in the first quarter (Q1) decreased by \$3.0 million (to \$29.4 million), or 9.2%. The decrease in expenditures is due to:

- \$5.4 million decrease in personnel costs, due to:
  - \$4.7 million in payout of accumulation of one-time severance pay for voluntary departures in Q1 of 2013–14
  - \$0.7 million from a net decrease in base salary
- \$0.4 million decrease in rentals, due to timing of payments for rental of buildings in Q1 of 2014–15 compared with Q1 of 2013–14
- \$0.3 million decrease in machinery and equipment, due to timing of expenditures in Q1 of 2014–15 compared with Q1 of 2013–14
- \$3.1 million increase in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada

### **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.

Over the past year, the CNSC has made adjustments to its plans, to adequately respond to reduced industry activity. In addition to the shutdown announcement for Hydro-Québec's Gentilly-2 NGS in Bécancour, Quebec (on December 28, 2012) and delays in proceeding with new uranium mine projects, the Ontario government announced (on October 10, 2013) that it will defer investing, for the foreseeable future, in new nuclear generating reactors at the Ontario Power Generation's (OPG) Darlington NGS. This latest announcement does not create a risk to the current year's financial plan, and its impact on future plans is currently under review, as part of organizational scenario planning and a wider strategic planning exercise. There is also a legal challenge for the refurbishment of OPG's Darlington NGS. The CNSC is not a respondent in the matter.

In addition to above mentioned items, there is also uncertainty related to the licensing process for OPG's proposed Deep Geologic Repository for low-to intermediate-level radioactive waste. The future licensing of the repository depends on the environmental assessment currently underway (via a Joint Review Panel) and on the Minister of Environment's decision. The decision could impact the current year's financial plan.

### **4. Significant Changes in Relation to Operations, Personnel and Programs**

In the first quarter of 2014–15, the CNSC incurred a \$3.1 million expenditure (under standard object "other subsidies and payments"), due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada. These costs will be cash-managed by the CNSC, and are fully reimbursable from Treasury Board, if required.

### **5. *Economic Action Plan 2012 (Budget 2012) Implementation***

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented to refocus government and programs, make it easier for Canadians and business to deal with their government; and modernize and reduce the back office.

The CNSC has achieved Budget 2012 savings of \$1.3 million by the end of the 2013–14 fiscal year. These savings were gained through efficiency measures and program reductions that align resources to the CNSC’s core mandate, scaling back where the need is reduced, transforming how the regulator works internally, and consolidating and streamlining its activities. With these changes, the CNSC will focus on supporting management excellence and accountability across the federal public service.

In 2012–13 (the first year of implementation), the CNSC achieved savings of \$0.5 million. The proposed measures have resulted in ongoing savings of \$1.3 million by 2013–14.

In Budget 2012, the CNSC also received a permanent incremental funding of \$7.6 million through Vote 1 – Program expenditures and statutory authority contributions to employee benefit plans. The incremental funding to renew sunseting funds allowed the CNSC to cover the costs of licensing nuclear equipment and substances at educational institutions, medical institutions and government departments.

## 6. Approval by Senior Officials

Approved by:

*Original signed by Daniel Schnob for*

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Stéphane Cyr  
Chief Financial Officer

*Original signed by*

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Michael Binder  
President

Ottawa, Canada

Date: *August 25, 2014*

## Appendix

### Statement of Authorities (*unaudited*)

<i>(in thousands of dollars)</i>	Fiscal year 2014–15			Fiscal year 2013–14		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
Vote 1 – Program expenditures	36,578	10,451	10,451	34,977	12,669	12,669
<b>Budgetary statutory authorities</b>						
Contribution to employee benefit plans	4,167	1,042	1,042	4,358	1,089	1,089
Expenditures pursuant to paragraph 21(3) of the <i>Nuclear Safety and Control Act</i>	85,376	17,901	17,901	88,403	18,612	18,612
<b>Total budgetary authorities</b>	<b>126,121</b>	<b>29,394</b>	<b>29,394</b>	<b>127,738</b>	<b>32,370</b>	<b>32,370</b>
<b>Non-budgetary authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total authorities</b>	<b>126,121</b>	<b>29,394</b>	<b>29,394</b>	<b>127,738</b>	<b>32,370</b>	<b>32,370</b>

More information is available in the attached table.

\* 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>	<b>Fiscal year 2014–15</b>			<b>Fiscal year 2013–14</b>		
	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	89,507	21,647	21,647	90,792	27,089	27,089
Transportation and communications	4,515	1,053	1,053	6,170	1,042	1,042
Information	1,191	211	211	1,148	218	218
Professional and special services	17,817	2,171	2,171	18,155	2,047	2,047
Rentals	4,475	839	839	3,721	1,159	1,159
Repair and maintenance	1,900	49	49	2,011	53	53
Utilities, materials and supplies	982	91	91	1,212	104	104
Acquisition of land, buildings and works		-	-	-	-	-
Acquisition of machinery and equipment	3,718	141	141	2,519	353	353
Transfer payments	2,000	83	83	1,848	248	248
Other subsidies and payments	16	3,109	3,109	162	54	54
Loans investment and advances	-	-	-	-	3	3
<b>Total gross budgetary expenditures</b>	<b>126,121</b>	<b>29,394</b>	<b>29,394</b>	<b>127,738</b>	<b>32,370</b>	<b>32,370</b>
<b>Total net budgetary expenditures</b>	<b>126,121</b>	<b>29,394</b>	<b>29,394</b>	<b>127,738</b>	<b>32,370</b>	<b>32,370</b>

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