



Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended December 31, 2015

February 2016



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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, 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

The CNSC adopted a new program alignment architecture, which it implemented in 2015–16. The new architecture reflects the fundamental aspects of the CNSC's regulatory work.

To deliver on its mandate, the CNSC has six programs:

- Nuclear Fuel Cycle Program
- Nuclear Reactors Program
- Nuclear Substances and Prescribed Equipment Program
- Nuclear Non-Proliferation Program
- Scientific, Technical, Regulatory and Public Information Program
- Internal Services

Further details on the CNSC's authority, mandate and program activities can be found in the *Report 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 (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 the 2014–15 and 2015–16 fiscal years. 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 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 of Canada 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 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.

The CNSC is also funded through the voted budgetary authority from Parliament (Vote 1 – Program expenditures). Voted authority is used to fund some activities and certain types of licensees, which are by regulations, not subject to cost recovery. The regulations state that some 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), 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 in authorities for the year, and actual expenditures for the quarter and year-to-date ended December 31, 2015.

2.1 Authorities analysis

As reflected in the table below, the CNSC's total authorities available to spend have increased by \$4.6 million (to \$134.3 million), or 3.5%, as of the end of the third quarter of 2015–16, compared to the same quarter of the previous year.

Authorities <i>(in thousands of dollars)</i>	2015–16	2014–15*	Variance
Vote 1 – Program expenditures	40,976	39,782	1,194
Contributions to employee benefit plans	4,502	4,167	335
Spending of proceeds from the disposal of surplus Crown assets*	30	20	10
Expenditures pursuant to paragraph 21(3) of the <i>Nuclear Safety and Control Act</i>	88,744	85,721	3,023
Total budgetary expenditures	134,252	129,690	4,562

* 2014–15 authorities have been updated to reflect an amount of \$20K for the spending of proceeds from the disposal of surplus Crown assets.

Vote 1 – Program expenditures and contributions to employee benefit plans

The total authorities increased by \$1.5 million (to \$45.5 million), or 3.5%. The increase is mainly due to the:

- \$0.7 million increase in funding, as a result of a reduction in the annual loan repayment to the Treasury Board Secretariat's Management Reserve, for improvements made to the CNSC's systems infrastructure
- \$0.3 million increase due to collective agreement funding
- \$0.3 million increase in contributions to employee benefit plans (EBP)
- \$0.1 million increase in operating budget carry-forward
- \$0.1 million increase due to an adjustment to funding for a Shared Services Canada initiative related to the transfer of workplace technology devices

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 increased by \$3.0 million (to \$88.7 million), or 3.5%, due to cost-of-living adjustments, including salaries and wages, and additional costs related to the New Graduate Program, a component of the CNSC's comprehensive workforce strategy to ensure workforce sustainability. The increase is also attributable to a growth in revenues resulting from a phased-in review of formula fees charged under the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*.

2.2 Expenditure analysis

Statement of authorities (see appendix)

Vote 1 – Program expenditures

The authorities used during the third quarter (Q3) of 2015–16 have increased by \$1.2 million (to \$9.4 million), or 14.5%, while authorities used for the year to date (YTD) have decreased by \$2.6 million (to \$25.8 million) or 9.0%. The Q3 change is due to an increase in transfer payments and the acquisition of machinery and equipment due to the timing of payments in Q3 of 2015–16 (compared with Q3 in 2014–15). The YTD decrease is mainly due to a reduction in other subsidies and payments as a result of a one-time transition payment by the Government of Canada during Q1 of 2014–15 for implementing salary payments in arrears.

Contribution to employee benefit plans

The authorities used during Q3 of 2015–16 and for the YTD, which are monthly installments of the *Main Estimates* EBP amount, have increased by \$0.1 million (to \$1.1 million), or 8.0% and by \$0.3 million (to \$3.4 million) or 8.0% respectively. This is due to an increase in the 2015–16 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the NSCA

The authorities used during Q3 of 2015–16 and for the YTD have increased by \$0.5 million (to \$22.3 million), or 2.4% and by \$1.4 million (to \$60.5 million), or 2.3% respectively. The increase is mainly due to an increase in personnel costs and professional and special services.

Budgetary expenditures by standard object (see appendix)

Planned expenditures

The total planned expenditures for the year have increased by \$4.6 million (to \$134.3 million), or 3.5%, compared to the previous year. The increase in planned expenditures for the year is due to the:

- \$1.0 million increase in personnel costs due to cost-of-living adjustments, including salaries and wages, and additional costs related to the New Graduate Program
- \$1.0 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information-management and information-technology projects
- \$0.8 million increase in rentals due to a temporary increase in office space required as part of CNSC's initiative to consolidate headquarters in Ottawa's downtown core
- \$0.7 million increase in acquisition of machinery and equipment related to in-house software development in support of information-management and information-technology projects
- \$0.4 million increase in transportation and communications due to an increase in relocation and domestic travel costs
- \$0.4 million increase in transfer payments due to an increase in contributions for the Participant Funding Program and the Research and Support Program
- \$0.3 million net increase in other expenditure categories

Expended during the quarter

The total actual budgetary expenditures in Q3 of 2015–16 increased by \$1.8 million (to \$32.9 million), or 5.8%. The increase in expenditures is due to the:

- \$0.6 million increase in transfer payments in the third quarter of 2015–16 when compared with the same quarter last year
- \$0.4 million increase in professional and special services due to an increased use of information, telecommunications and management consultants for information-management and information-technology projects
- \$0.3 million increase in personnel costs due to salary increases, and costs for the New Graduate Program
- \$0.2 million increase in transportation and communications due to an increase in domestic travel costs
- \$0.3 million net increase in other expenditure categories

Year-to-date used at quarter end

The YTD actual budgetary expenditures decreased by \$0.9 million (to \$89.7 million), or 1.0% when compared to the previous year. The change is due to the:

- \$3.0 million decrease in other subsidies and payments as a result of a one-time transition payment for implementing salary payments in arrears by the Government of Canada in Q1 of 2014–15
- \$0.6 million increase in personnel costs due to salary increases, additional costs for the New Graduate Program and higher EBP costs
- \$0.6 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information-management and information-technology projects
- \$0.5 million increase in acquisition of machinery and equipment related to in-house software development in support of information-management and information-technology projects
- \$0.4 million net increase 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 a financial risk by increasing its use of term employees, a practice that increases workforce flexibility.

The CNSC continues to make adjustments to its plans to adequately respond to the evolution of the industry. These events include:

- delays in proceeding with new uranium mine projects
- the Ontario government's announcement on October 10, 2013 that it will defer investing, for the foreseeable future, in new nuclear generating reactors at Ontario Power Generation's (OPG) Darlington Nuclear Generating Station
- the licensing process for OPG's proposed Deep Geologic Repository for low-to-intermediate-level radioactive waste, which is dependent on the environmental assessment currently underway via a joint review panel and on a decision by the Minister of Environment

In response to changing industry activities, the CNSC engaged in strategic planning and enterprise risk framework development in 2014–15 to ensure it could operate effectively while providing regulatory oversight of Canada's nuclear industry.

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

As part of the CNSC's comprehensive workforce strategy to ensure workforce sustainability by addressing the potential impact of attrition and ensuring effective knowledge transfer, a New Graduate Program was put in place to hire university graduates for two-year terms. Under this program, the CNSC hired 11 new term employees in Q3 of 2015–16.

5. Approval by senior officials

Approved by:

Original signed by

Michael Binder
President

Ottawa, Canada
Date: February 19, 2016

Original signed by

Stéphane Cyr
Chief Financial Officer

Appendix

Statement of authorities (*unaudited*)

<i>(in thousands of dollars)</i>	Fiscal year 2015–16			Fiscal year 2014–15		
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended December 31, 2015	Year to date used at quarter-end	Total available for use for the year ended March 31, 2015*	Used during the quarter ended December 31, 2014	Year to date used at quarter-end
Vote 1 – Program expenditures	40,976	9,431	25,765	39,782	8,235	28,319
Budgetary statutory authorities						
Contribution to employee benefit plans	4,502	1,126	3,376	4,167	1,042	3,125
Spending of proceeds from the disposal of surplus Crown assets**	30	-	-	20	-	-
Expenditures pursuant to paragraph 21(3) of the <i>Nuclear Safety and Control Act</i>	88,744	22,316	60,543	85,721	21,784	59,173
Total budgetary authorities	134,252	32,873	89,684	129,690	31,061	90,617
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	134,252	32,873	89,684	129,690	31,061	90,617

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

** Total available for use for the year ended March 31, 2015 has been updated to reflect an amount of \$20K for the spending of proceeds from the disposal of surplus Crown assets.

Departmental budgetary expenditures by standard object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2015–16			Fiscal year 2014–15		
	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end
Expenditures:						
Personnel	93,008	22,307	66,520	92,006	21,975	65,943
Transportation and communications	6,136	1,493	3,855	5,711	1,252	3,534
Information	1,368	183	628	1,243	263	759
Professional and special services	20,632	6,229	12,047	19,589	5,787	11,497
Rentals	5,210	1,022	3,055	4,369	1,031	3,152
Repair and maintenance	1,981	220	618	1,982	203	579
Utilities, materials and supplies	1,100	251	599	1,025	155	373
Acquisition of machinery and equipment**	2,882	531	1,274	2,200	339	756
Transfer payments	1,905	624	1,041	1,549	48	929
Other subsidies and payments	30	13	47	16	8	3,095
Total gross budgetary expenditures	134,252	32,873	89,684	129,690	31,061	90,617
Total net budgetary expenditures	134,252	32,873	89,684	129,690	31,061	90,617

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

** Planned expenditures for the year ending March 31, 2015 have been updated to reflect an amount of \$20K for the spending of proceeds from the disposal of surplus Crown assets.