



# Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended September 30, 2016

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November 2016



## **Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended September 30, 2016**

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### **Document availability**

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## **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 2015–16 and 2016–17 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*. 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 that 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 September 30, 2016.

## 2.1 Authorities analysis

As reflected in the table below, the CNSC's total authorities available to spend have increased by \$0.3 million (to \$135.0 million), or 0.3%, as of the end of the second quarter of 2016–17, compared to the same quarter of the previous year.

<b>Authorities</b> <i>(in thousands of dollars)</i>	<b>2016–17</b>	<b>2015–16</b>	<b>Variance</b>
<b>Vote 1 – Program expenditures</b>	<b>40,243</b>	<b>40,662</b>	<b>(419)</b>
<b>Contributions to employee benefit plans</b>	<b>4,609</b>	<b>4,502</b>	<b>107</b>
<b>Spending of proceeds from the disposal of surplus Crown assets</b>	<b>28</b>	<b>30</b>	<b>(2)</b>
<b>Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i></b>	<b>90,108</b>	<b>89,452</b>	<b>656</b>
<b>Total budgetary expenditures</b>	<b>134,988</b>	<b>134,646</b>	<b>342</b>

### **Vote 1 – Program expenditures and contributions to employee benefit plans**

The total authorities decreased by \$0.3 million (to \$44.9 million), or 0.7%. The decrease is mainly due to the:

- \$0.4 million decrease in funding for the government-wide Single Window Initiative, which was announced in Budget 2013 and will streamline government import regulations and border processes for commercial trade
- \$0.1 million increase in contributions to employee benefit plans (EBP)

### **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 \$0.6 million (to \$90.1 million), or 0.7%, due to cost-of-living adjustments, including salaries and wages as well as 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 second quarter (Q2) of 2016–17 and for the year to date (YTD) have increased by \$0.7 million (to \$9.4 million), or 7.7%, and by \$0.4 million (to \$16.7 million), or 2.5%, respectively. Both the Q2 and YTD increases are mainly due to an increase in transfer payments for contributions in the Research and Support Program as well as an increase in the acquisition of machinery and equipment due to the timing of expenditures compared with 2015–16.

#### ***Contribution to employee benefit plans***

The authorities used during Q2 of 2016–17 and for the YTD, which are monthly instalments of the *Main Estimates* EBP amount, have increased by \$0.1 million (to \$1.2 million), or 2.4%, and by \$0.1 million (to \$2.3 million), or 2.4%, respectively. This is due to an increase in the 2016–17 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

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

The authorities used during Q2 of 2016–17 and for the YTD have increased by \$1.3 million (to \$21.1 million), or 6.8%, and by \$1.2 million (to \$39.5 million), or 3.2%, respectively. This is mainly due to increased expenditures on regulatory activity plans as well as an increase in professional and special services due to timing differences, compared with 2015–16, of the payments to Shared Services Canada (SSC) for information technology expenses.

### **Budgetary expenditures by standard object (see appendix)**

#### ***Planned expenditures***

The total planned expenditures for the year have increased by \$0.3 million (to \$135.0 million), or 0.3%, compared to the previous year. The increase in planned expenditures for the year is due to the:

- \$1.2 million increase in personnel costs due to projected salary increases and costs for the workforce renewal initiative, which is part of the CNSC's comprehensive workforce strategy to ensure workforce sustainability by addressing the potential impact of attrition and ensuring an effective knowledge transfer

- \$0.5 million increase in transfer payments primarily attributable to a forecasted increase in contributions for the Research and Support Program and the Participant Funding Program
- \$1.4 million decrease in professional and special services due to an anticipated reduction in the use of information technology and telecommunications consultants

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

The total actual budgetary expenditures in Q2 of 2016–17 increased by \$2.1 million (to \$31.7 million), or 6.9%, when compared to the previous year. The increase in expenditures is due to the:

- \$1.2 million increase in professional and special services due to timing differences, compared with 2015–16, of the payments to SSC for information technology expenses
- \$0.5 million increase in personnel costs due to the workforce renewal initiative and salary step increases
- \$0.4 million increase in transfer payments due to an increase in contributions for the Research and Support Program

#### ***Year-to-date used at quarter***

The YTD actual budgetary expenditures increased by \$1.7 million (to \$58.5 million), or 3.0%, when compared to the previous year. The change is due to the:

- \$0.9 million increase in professional and special services due to timing differences, compared with 2015–16, of the payments to SSC for information technology expenses
- \$0.4 million increase in transfer payments due to an increase in contributions for the Research and Support Program
- \$0.3 million increase in personnel costs due to the workforce renewal initiative and salary step increases
- \$0.1 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 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. Recent changes in the nuclear sector include:

- delays in proceeding with new uranium mine projects
- the Ontario government's announcement on January 11, 2016 that it will invest in refurbishing the first of four units at Ontario Power Generation's (OPG's) Darlington Nuclear Generating Station in addition to its plan to pursue continued operations at the Pickering Nuclear Generating Station through 2024
- 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

As part of a comprehensive strategy to ensure workforce sustainability, the CNSC is currently implementing a workforce renewal initiative by addressing the potential impact of attrition and ensuring an effective knowledge transfer. The outlook for CNSC regulatory oversight requirements is stable.

#### **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 second quarter of 2016–17.

#### **5. Approval by senior officials**

Approved by:

*Original signed by*

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Michael Binder  
President

Ottawa, Canada  
Date: *Nov 18, 2016*

*Original signed by*

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Stéphane Cyr  
Chief Financial Officer

## Appendix

### Statement of authorities (*unaudited*)

<i>(in thousands of dollars)</i>	<b>Fiscal year 2016–17</b>			<b>Fiscal year 2015–16</b>		
	Total available for use for the year ending March 31, 2017*	Used during the quarter ended September 30, 2016	Year to date used at quarter-end	Total available for use for the year ended March 31, 2016*	Used during the quarter ended September 30, 2015	Year to date used at quarter-end
Vote 1 – Program expenditures	40,243	9,405	16,747	40,662	8,729	16,334
<b>Budgetary statutory authorities</b>						
Contribution to employee benefit plans	4,609	1,152	2,304	4,502	1,125	2,250
Spending of proceeds from the disposal of surplus Crown assets	28	-	-	30	-	-
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	90,108	21,122	39,452	89,452	19,773	38,227
<b>Total budgetary authorities</b>	<b>134,988</b>	<b>31,679</b>	<b>58,503</b>	<b>134,646</b>	<b>29,627</b>	<b>56,811</b>
<b>Non-budgetary authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total authorities</b>	<b>134,988</b>	<b>31,679</b>	<b>58,503</b>	<b>134,646</b>	<b>29,627</b>	<b>56,811</b>

\* 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 2016–17</b>			<b>Fiscal year 2015–16</b>		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	93,645	22,500	44,480	92,448	22,035	44,213
Transportation and communications	5,294	995	2,164	4,963	1,014	2,362
Information	1,377	315	556	1,404	234	445
Professional and special services	19,769	4,471	6,726	21,173	3,321	5,818
Rentals	5,655	1,471	2,171	5,347	1,609	2,033
Repair and maintenance	1,948	273	320	2,033	354	398
Utilities, materials and supplies	1,009	168	276	1,129	197	348
Acquisition of machinery and equipment	3,972	754	939	4,293	596	743
Transfer payments	2,304	649	865	1,825	255	417
Other subsidies and payments	15	83	6	31	12	34
<b>Total gross budgetary expenditures</b>	<b>134,988</b>	<b>31,679</b>	<b>58,503</b>	<b>134,646</b>	<b>29,627</b>	<b>56,811</b>
<b>Total net budgetary expenditures</b>	<b>134,988</b>	<b>31,679</b>	<b>58,503</b>	<b>134,646</b>	<b>29,627</b>	<b>56,811</b>

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