



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

November 2020



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

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Table of contents

1. Introduction	1
1.1 Authority and mandate	1
1.2 Basis of presentation	1
1.3 The CNSC's financial structure.....	2
2. Highlights of fiscal quarter and fiscal year-to-date results	2
2.1 Statement of voted and statutory authorities	3
2.2 Expenditure analysis.....	4
3. Risks and uncertainties.....	4
4. Significant changes in relation to operations, personnel and programs	5
5. Approval by senior officials	5
Appendix	6
Statement of authorities (unaudited).....	6
Departmental budgetary expenditures by standard object (unaudited)	7

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, 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 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 September 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 Q2 2020–21	YTD expenditures as at Q2 2019–20	Variance in expenditures
Vote 1 – Program expenditures	31,876	40,283	(8,407)	17,307	17,891	(584)
Statutory:						
Contributions to employee benefit plans	4,359	4,295	64	2,180	2,148	32
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,953	101,214	(2,261)	41,053	43,392	(2,339)
Total statutory authorities	103,312	105,509	(2,197)	43,233	45,540	(2,307)
Total	135,188	145,792	(10,604)	60,540	63,431	(2,891)

2.1 Statement of voted and statutory authorities

The CNSC’s total authorities available to spend in 2020–21 as of September 30 have decreased by \$10.6 million (to \$135.2 million), or 7.3%.

The voted authorities have decreased by \$8.4 million (to \$31.9 million) or 20.9%, 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 and an increase in the amount of the operating budget carry forward.

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, Q2 expenditures decreased by \$1.8 million (to \$31.8 million) or 5.2%, and YTD expenditures decreased by \$2.9 million (to \$60.5 million) or 4.6%. Q2 Vote 1 expenditures decreased by \$0.3 million (to \$9.3 million) or 2.6%, and YTD expenditures decreased by \$0.6 million (to \$17.3 million) or 3.3%, while expenditures pursuant to subsection 21(3) of the NSCA decreased by \$1.5 million (to \$21.4 million) or 6.7% for Q2, and by \$2.3 million (to \$41.0 million) or 5.4% YTD. Contributions to employee benefit plans are unchanged at \$1.1 million for Q2 and \$2.2 million YTD.

As illustrated in the appended table of departmental budgetary expenditures by standard object, the decrease in expenditures of \$1.8 million for Q2 and \$2.9 million YTD by standard object is due to the following:

- \$1.4 million decrease (\$2.4 million YTD) in transportation and communications as a result of COVID-19 restrictions;
- \$0.5 million decrease (\$1.0 million YTD) in professional and special services due to decreases in the use of information technology and telecommunications consultants, management consultants and training consultants;
- \$0.3 million increase (\$0.6 million YTD) in personnel costs as a result of negotiated salary adjustments;
- \$0.2 million increase (\$0.5 million YTD) in the acquisition of machinery and equipment primarily due to the purchase of computer equipment to enable staff to work remotely;
- \$0.4 million decrease (\$0.6 million YTD) in other expenditure categories.

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 Q2, 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 has developed and implemented a detailed return to the workplace plan. The CNSC's approach for a gradual return to the workplace 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:

X

Rumina Velshi
President

X

Stéphane Cyr
Chief Financial Officer

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 September 30, 2020	YTD used at quarter-end	Total available for use for the year ended March 31, 2020*	Used during the quarter ended September 30, 2019	YTD used at quarter-end
Vote 1 – Program expenditures **	31,876	9,263	17,307	40,283	9,511	17,891
Budgetary statutory authorities						
Contribution to employee benefit plans	4,359	1,090	2,180	4,295	1,074	2,148
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,953	21,412	41,053	101,214	22,939	43,392
Total budgetary authorities	135,188	31,765	60,540	145,792	33,524	63,431
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	135,188	31,765	60,540	145,792	33,524	63,431

*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 Q2

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 September 30, 2020	YTD used at quarter-end	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended September 30, 2019	YTD used at quarter-end
Expenditures						
Personnel	103,098	24,344	48,482	109,386	24,090	47,894
Transportation and communications	5,340	14	23	5,302	1,436	2,435
Information	1,021	74	542	1,212	253	525
Professional and special services	15,248	4,340	7,027	18,106	4,805	8,006
Rentals	4,132	1,483	1,956	5,030	1,297	2,182
Repair and maintenance	1,120	146	236	1,299	220	294
Utilities, materials and supplies	437	65	95	615	161	242
Acquisition of machinery and equipment	3,419	603	1,179	3,040	399	688
Transfer payments	1,327	660	967	1,770	790	1,094
Other subsidies and payments	46	36	33	32	73	71
Total gross budgetary expenditures	135,188	31,765	60,540	145,792	33,524	63,431
Total revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	135,188	31,765	60,540	145,792	33,524	63,431

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